

Company Report: Mulberry Group PLC

Financial performance, competitor and market analysis, FY2018 to FY2022

Mulberry

Business intelligence report

Sources: Mulberry annual reports and preliminary results FY2019 to FY2022, Statista, Mintel, London Stock Exchange

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1. Executive Summary

Financial information. Mulberry's revenue for the 53 weeks to 2 April 2022 was £152.4 million, up 32.6% from £115.0 million, with a record gross margin of 71.7% and a profit before tax of £21.3 million. On liquidity and profitability ratios, Mulberry outperformed its listed peer Ted Baker in FY2022.

Industry analysis. Mulberry is the UK's largest manufacturer of luxury leather goods, operating in apparel and accessories. Compared with Ted Baker, it is a third of the size but far more profitable per pound of sales.

Market analysis. The UK is Mulberry's core market, with 40 stores and about 69% of retail revenue, while Asia Pacific grew fastest in FY2022.

Key finding: the FY2022 recovery is real but smaller and more fragile than the headline suggests. Underlying profit was £14.6 million, not £21.3 million, operating costs grew 22% as stores reopened, and the business is highly exposed to gross margin: at FY2022 costs, a fall in margin back to its pre-pandemic level of about 61% would wipe out most of the profit.

- **Quality of earnings:** FY2022 profit included a one-off £5.7 million gain on exiting the Paris store lease. FY2021's £4.6 million profit relied on £4.8 million of furlough support; without it, the business roughly broke even.
- **Operating leverage:** operating expenses rose from £70.3 million to £85.9 million. Break-even revenue rose from £111 million to £120 million, leaving £33 million of headroom in FY2022.
- **Channel shift:** digital sales fell 16% as stores reopened, from 49% to 31% of revenue, so growth relied on the return of store traffic.
- **Balance sheet:** net cash of £25.7 million looks healthy, but lease liabilities of £63.7 million mean lease-adjusted net debt of about £38 million; inventory rose 17% to £36.8 million, about 311 days of stock.
- **Recommendation:** a cautious hold for long-term investors, conditional on gross margin staying above 65% and operating costs growing slower than revenue; management should focus on full-price sales, cost discipline and international growth (section 9).

2. Introduction

Item	Detail
Headquarters	Mulberry Company (Sales) Ltd, The Rookery, Chilcompton, Somerset, BA3 4EH, United Kingdom
Contact	+44 (0) 1761 234 230
Website	https://www.mulberry.com
Traded as	LSE: MUL (AIM)
ISIN	GB0006094303

Table 1: History and general information. (Source: London Stock Exchange (n.d.); Mulberry (n.d.))

Product	Luxury leather accessories focus, British manufacturing, made to last and complemented by a comprehensive lifestyle range including soft accessories, footwear, luggage, ready-to-wear, jewellery and eyewear	Omni-Channel	Over 120 owned and partner stores across 25 countries, strong international digital network and integrated omni-channel offer; best in class aftercare and lifetime service
Creative	Innovative fashion, with design team led by Creative Director Johnny Coca	Mulberry.com	22% of revenue, nine currencies, five languages, ships to 190+ countries with strategic digital partnerships in key markets
British Craftsmanship	Largest manufacturer of luxury leather goods in UK, two Somerset factories produce 50% of bags; class-leading quality representing best value for price in the sector	People	c. 1,500 employees globally, 1 head office (London), 2 factories (Somerset), 5 international offices (Paris, New York, Hong Kong, Tokyo, Seoul)

Our History

1971	1982	1989	1996	2003	2006	2013	2015	2017	2018	2019
Founded in Somerset, England	First stores open in London and Paris	First factory opens in Somerset (The Rookery)	Mulberry Group plc listed on AIM	Bestselling Bayswater bag launched	Award winning apprenticeship programme introduced; first US store opens in New York	Second factory opens in Somerset (The Willows)	Thierry Andretta (CEO) and Johnny Coca (Creative Director) appointed	Mulberry Asia set up (China, Hong Kong, Taiwan); Amberley bag launched	Mulberry Korea and Mulberry Japan set up	First eyewear range launched

Figure 1: Mulberry at a glance and history. (Source: Mulberry, Annual Report and Accounts 2022)

Mulberry is a British luxury brand founded in Somerset in 1971 and best known for leather handbags and accessories. About half of its bags are made in its two Somerset factories, which is unusual among luxury brands and central to its positioning. The company is listed on AIM, but most of its shares are held by two shareholders, Challice Limited and Frasers Group, which leaves a free float of about 5%. That matters for investors: the share price can move sharply on small trades, and outside shareholders have little influence.

3. Key Financial Information

The total revenue for Mulberry PLC for the 53-week period that ended on 2 April 2022 was £152,411,000, compared to £114,951,000 for the 52-week period that ended on 27 March 2021, an increase of 32.6%. The gross profit was £109,305,000, while the reported operating profit was £24,647,000. The total profit before tax was £21,326,000, and the profit for the period was £19,169,000 (Mulberry, Annual Report 2022).

i. Global and UK Financial Performance

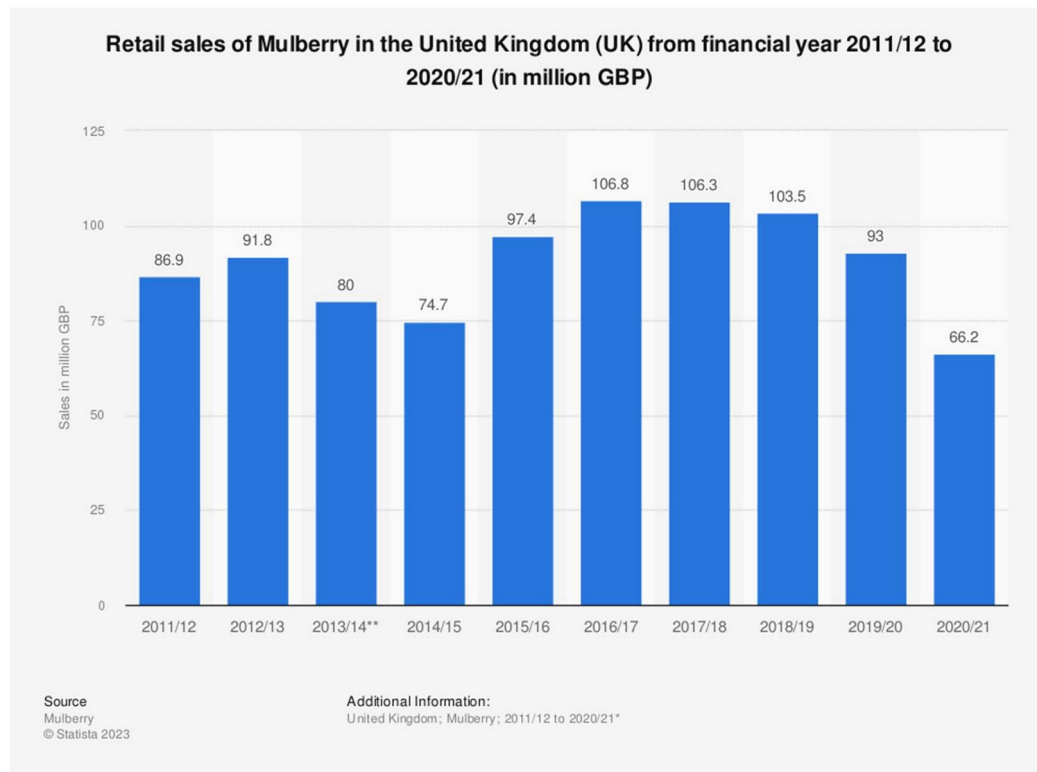


Figure 2: Retail sales of Mulberry in the UK, FY2011/12 to FY2020/21. (Source: Statista, 2021)

UK retail sales reached an all-time high of £106.8 million in 2016/17, then drifted down for three years before the pandemic cut them to £66.2 million in 2020/21. They recovered by 36% to £89.8 million in 2021/22, still well below the peak. **The decline before 2020 matters:** it shows that the UK market was already mature before Covid, so the post-Covid rebound should not be mistaken for underlying growth.

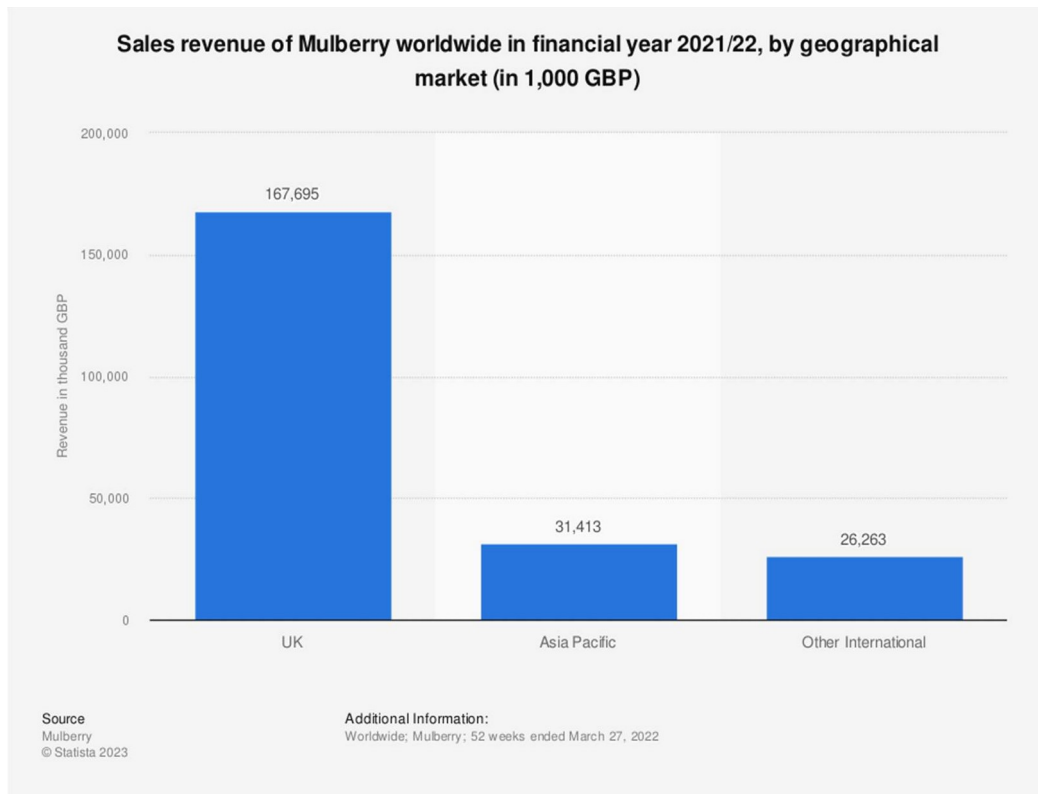


Figure 3: Sales revenue of Mulberry worldwide in FY2021/22, by geographical market. (Source: Statista, 2023)

The UK is Mulberry's largest market by a wide margin, followed by Asia Pacific and the rest of the world. Statista's regional figures add up to about £225 million, more than the £152.4 million of reported revenue, so they appear to measure gross sales rather than revenue. The shares are still useful, but the analysis below uses Mulberry's own reported figures.

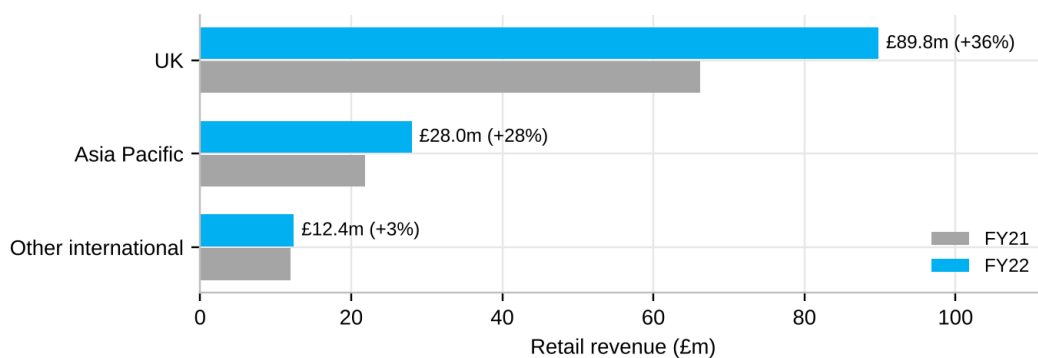


Figure 4: Retail revenue by region, FY2021 and FY2022. (Source: Mulberry, Preliminary Results 2022)

In Mulberry's own figures, UK retail revenue rose 36% to £89.8 million and still made up 69% of retail revenue. Asia Pacific grew 28% to £28.0 million, with China up 59%, and was the fastest-growing region. The rest of the international business barely grew, up 3%.

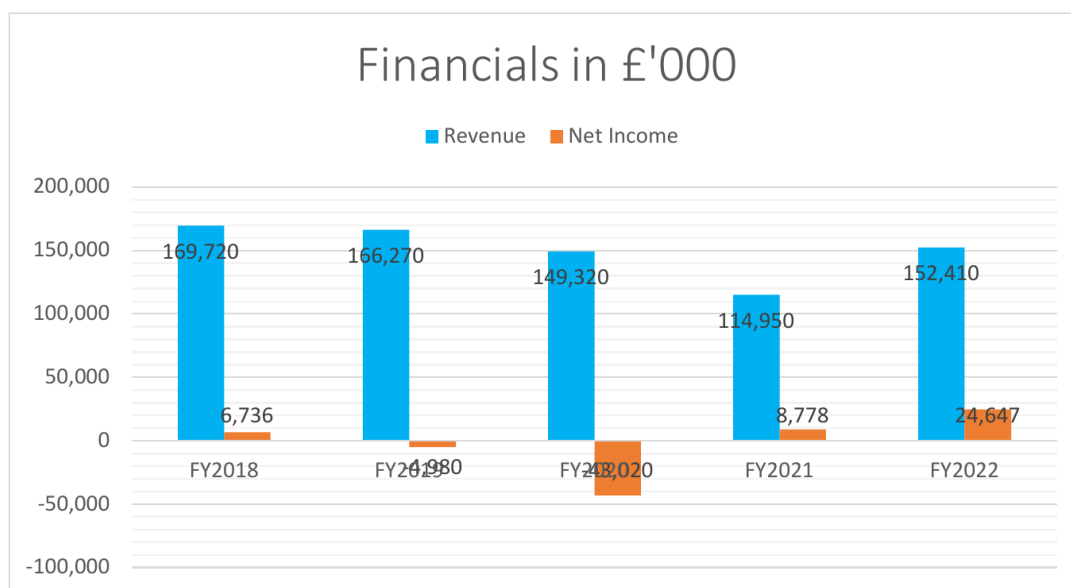


Figure 5: Revenue and profit, FY2018 to FY2022, £'000. (Source: Mulberry, Annual Report and Accounts 2022)

Revenue peaked at £169.7 million in FY2018, slipped to £166.3 million in FY2019, fell to £149.3 million in FY2020 and to £115.0 million in FY2021 during Covid, then recovered to £152.4 million in FY2022. The largest loss came in FY2020, at £43.0 million after tax, as stores closed. For FY2021 and FY2022 the profit bars show operating profit (£8.8 million and £24.6 million).

ii. Quality of Earnings

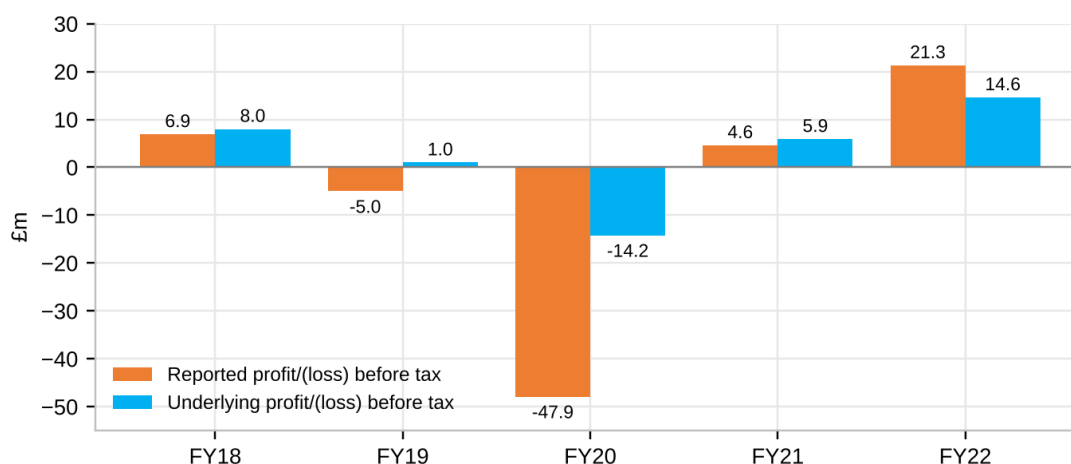


Figure 6: Reported and underlying profit or loss before tax, FY2018 to FY2022, £m. Underlying figures exclude one-off items as defined by Mulberry. (Source: Mulberry preliminary results 2019 to 2022)

Headline profit tells only part of the story. In FY2020 the reported loss of £47.9 million included £33.7 million of one-off costs, mostly store closures and Covid-related charges; the underlying loss was £14.2 million. In FY2021 profit before tax of £4.6 million relied on £4.8 million of government furlough support. In FY2022 the reported £21.3 million included a £5.7 million gain on exiting the Paris store lease, and Mulberry chose not to claim furlough.

Underlying profit of £14.6 million is the better measure of FY2022 performance, and it is still the best result in the five years.

iii. Channels to Market

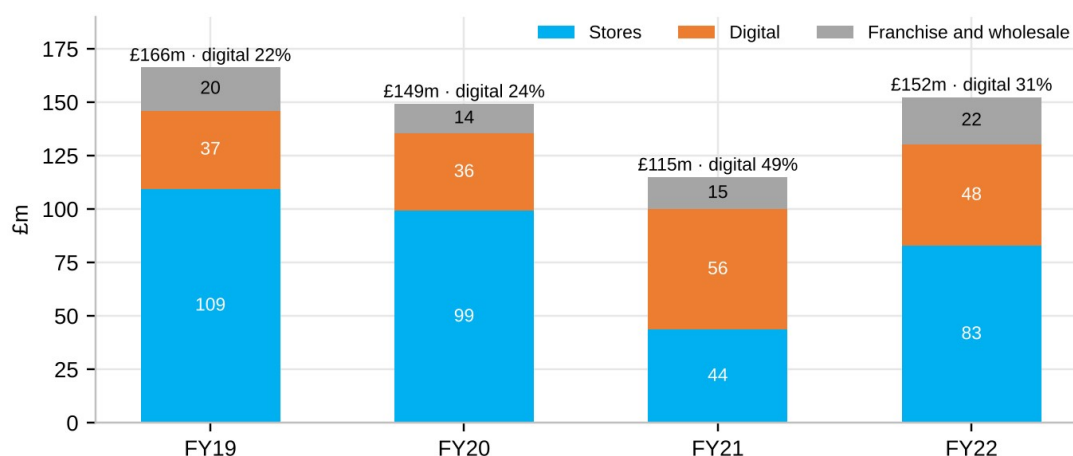


Figure 7: Revenue by channel, FY2019 to FY2022, £m. FY2019 and FY2020 store revenue is derived from direct-to-customer sales less digital. (Source: Mulberry preliminary results 2019 to 2022)

Digital sales rescued Mulberry during the pandemic, rising to £56.4 million and 49% of revenue in FY2021. As stores reopened in FY2022, store sales nearly doubled to £82.7 million, but digital fell 16% to £47.5 million. Digital is still well above its pre-pandemic share (22% in FY2019 to 31% in FY2022), but the FY2022 growth came from stores, which carry the highest fixed costs.

iv. Comparison of Key Financial Ratios: Mulberry and Ted Baker

Liquidity. The current ratio compares current assets with current liabilities; the quick ratio excludes inventory. Mulberry's current ratio stayed above 1.3 throughout and above 1.5 in four of the five years, ending FY2022 at 1.88 against Ted Baker's 1.34 (Figure 8). Its quick ratio fell below 1.0 in FY2020 and FY2021 and recovered to 1.00 in FY2022, against 0.57 for Ted Baker (Figure 9).

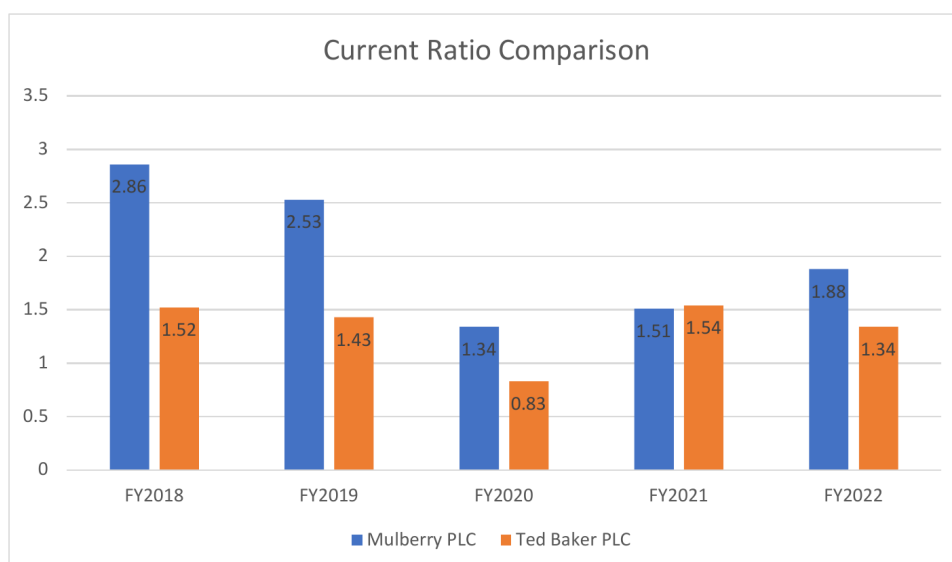


Figure 8: Current ratio comparison. (Source: Mulberry and Ted Baker annual reports)

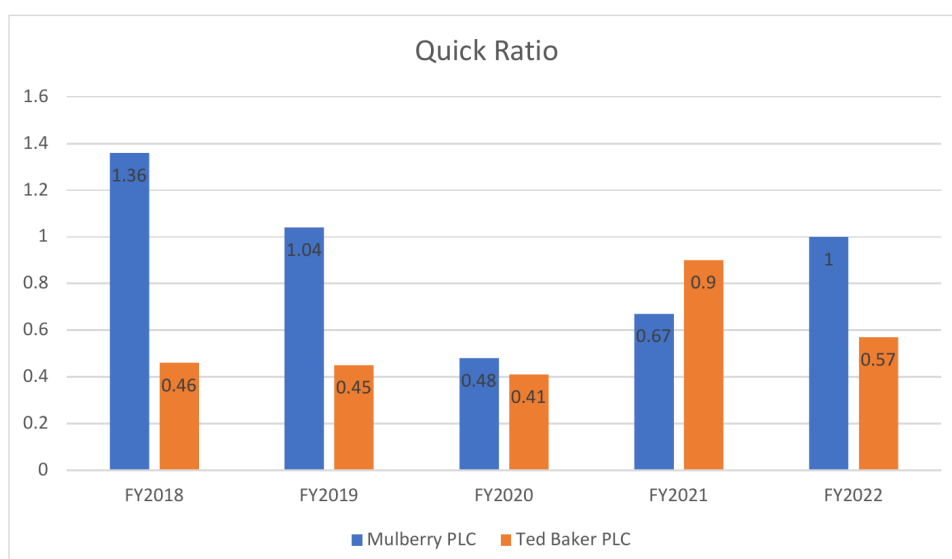


Figure 9: Quick ratio comparison. (Source: Mulberry and Ted Baker annual reports)

What the liquidity ratios miss. Neither ratio captures leases, the largest fixed obligation of a store-based retailer. Mulberry's lease liabilities were £63.7 million in FY2022, 42% of revenue. Against net cash of £25.7 million, that is lease-adjusted net debt of about £38 million (Figure 10). Inventory also rose 17% to £36.8 million, equal to about 311 days of cost of sales, up from 275 days. For a luxury brand, slow-moving stock is a margin risk, because clearing it means discounting.

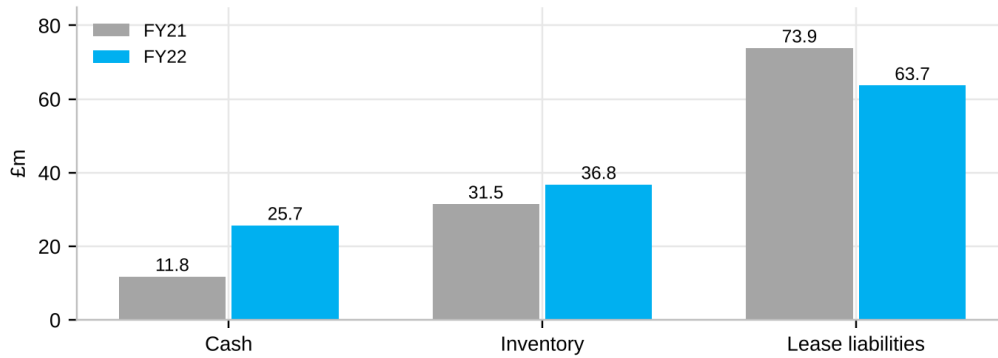


Figure 10: Cash, inventory and lease liabilities, FY2021 and FY2022, £m. (Source: Mulberry, Annual Report and Accounts 2022)

Profitability. Gross margin rose from about 63% to 71.7% in FY2022, against 55.5% for Ted Baker (Figure 11): Mulberry's pricing power and Somerset manufacturing give it a structural advantage. Net margin recovered from –29.6% in FY2020 to 13.1% in FY2022, while Ted Baker remained loss-making at –8.3% (Figure 12).

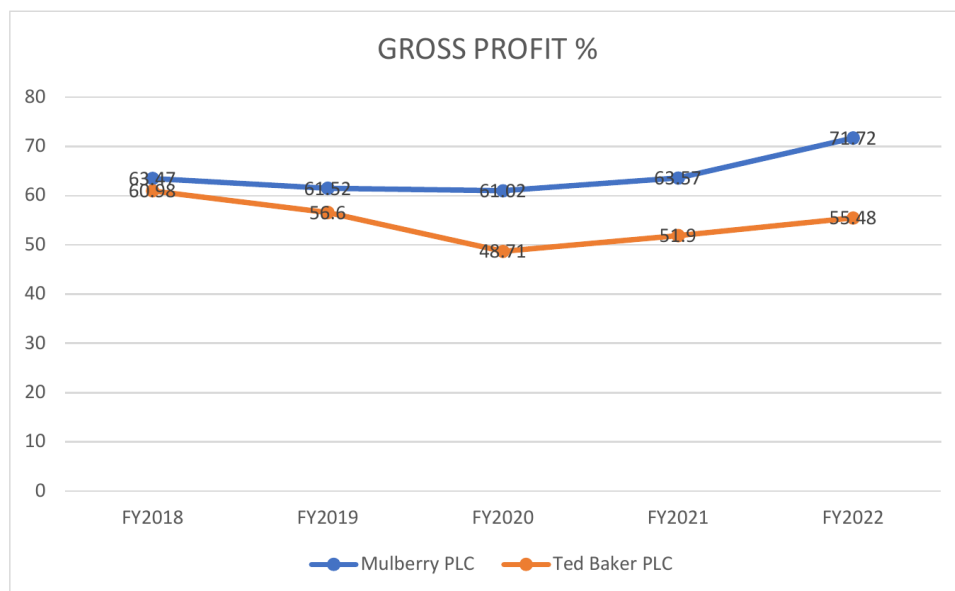


Figure 11: Gross profit margin comparison. (Source: Mulberry and Ted Baker annual reports)

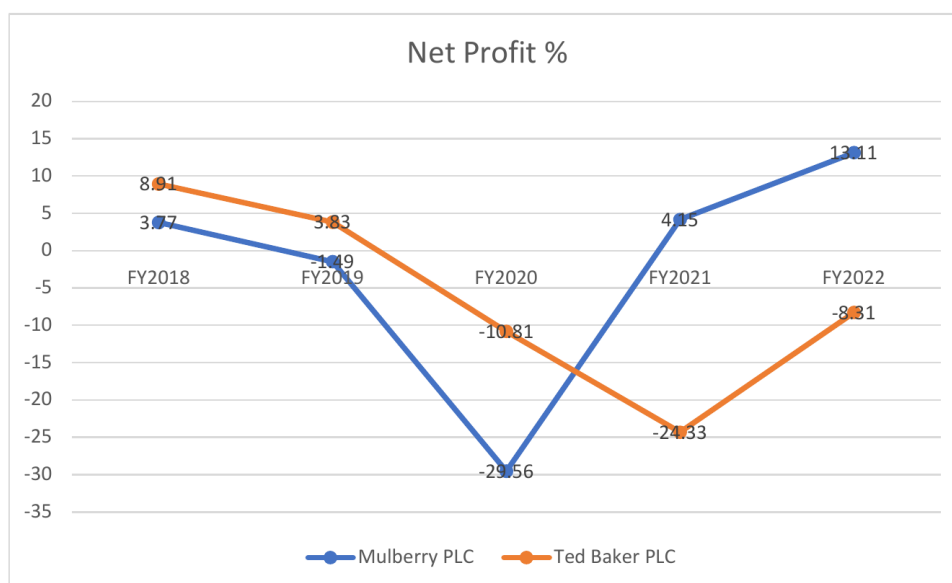


Figure 12: Net profit margin comparison. (Source: Mulberry and Ted Baker annual reports)

Solvency. Mulberry's debt-to-equity ratio jumped from 0.06 in FY2019 to 5.69 in FY2020 (Figure 13). Much of that jump reflects the accounting standard that brought leases onto the balance sheet (IFRS 16) from FY2020, at the same time as losses reduced equity, rather than new bank borrowing. It eased to 1.63 by FY2022, still above Ted Baker's 1.13.

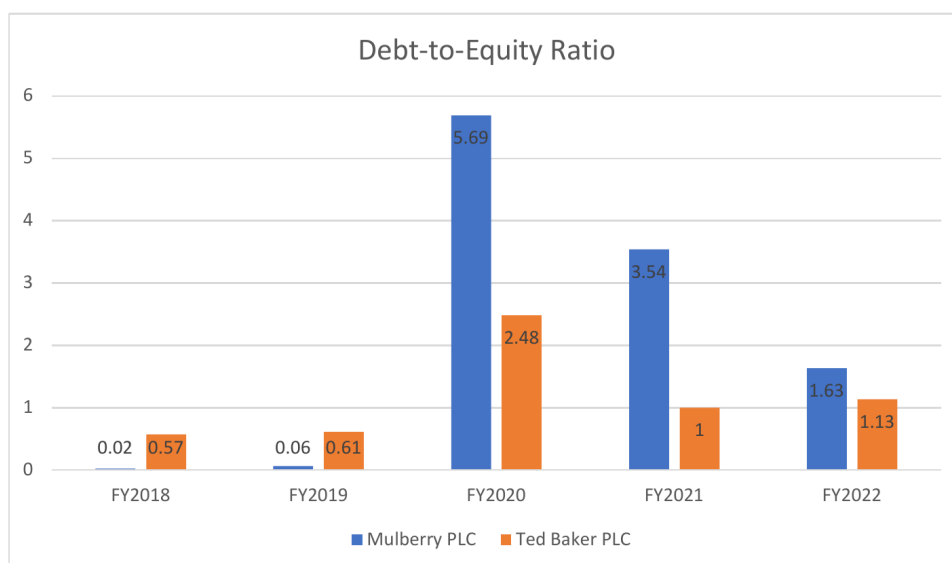


Figure 13: Debt-to-equity ratio comparison. (Source: Mulberry and Ted Baker annual reports)

4. Operating Leverage and Sensitivity

Ratios describe the past year. To judge how resilient the FY2022 result is, it helps to ask how much revenue Mulberry needs to cover its costs, and what happens if sales or margin slip.

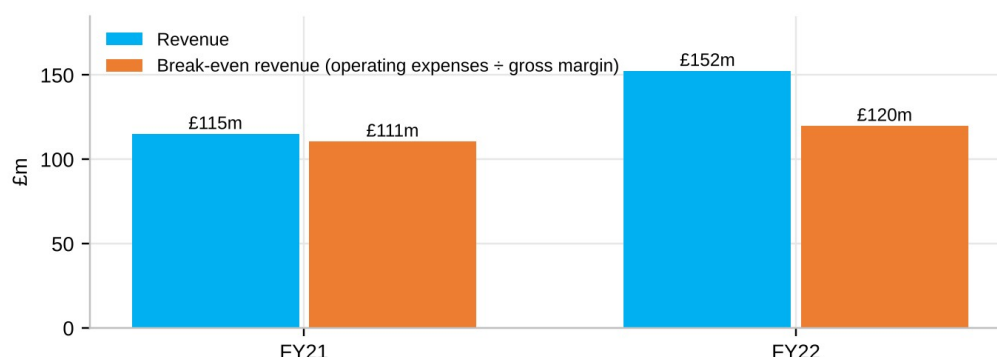


Figure 14: Revenue against break-even revenue (operating expenses divided by gross margin), FY2021 and FY2022.

Break-even revenue is the sales level at which gross profit just covers operating expenses. Operating expenses rose 22% to £85.9 million in FY2022 as stores reopened and furlough ended, so break-even revenue rose from £111 million to £120 million. Revenue grew faster (32.6%), which widened the headroom above break-even from £5 million to £33 million. The risk is that much of the cost increase is fixed (store staff, rent, head office), while revenue depends on store traffic and full-price sales.

Revenue \ gross margin	61%	65%	68%	71.7% (FY2022)
£120m	-12.7	-7.9	-4.3	0.1
£135m	-3.6	1.8	5.9	10.9
£152.4m (FY2022)	7.1	13.2	17.7	23.4
£165m	14.7	21.3	26.3	32.4

Table 2: Operating profit (£m) at FY2022 operating expenses of £85.9 million, for different revenue and gross margin outcomes. Calculated as revenue $\times$ gross margin – operating expenses.

The sensitivity table shows two things. First, **margin matters as much as volume**: at FY2022 revenue, a return to the pre-pandemic gross margin of about 61% would cut operating profit from £23 million to £7 million. Second, a revenue fall back to FY2020 levels with any margin erosion would return Mulberry to losses, because the cost base no longer flexes with sales the way it did when furlough and rent concessions were available. Protecting full-price sales is therefore the single most important lever.

5. Industry and Competitor Analysis

i. Revenue Comparison

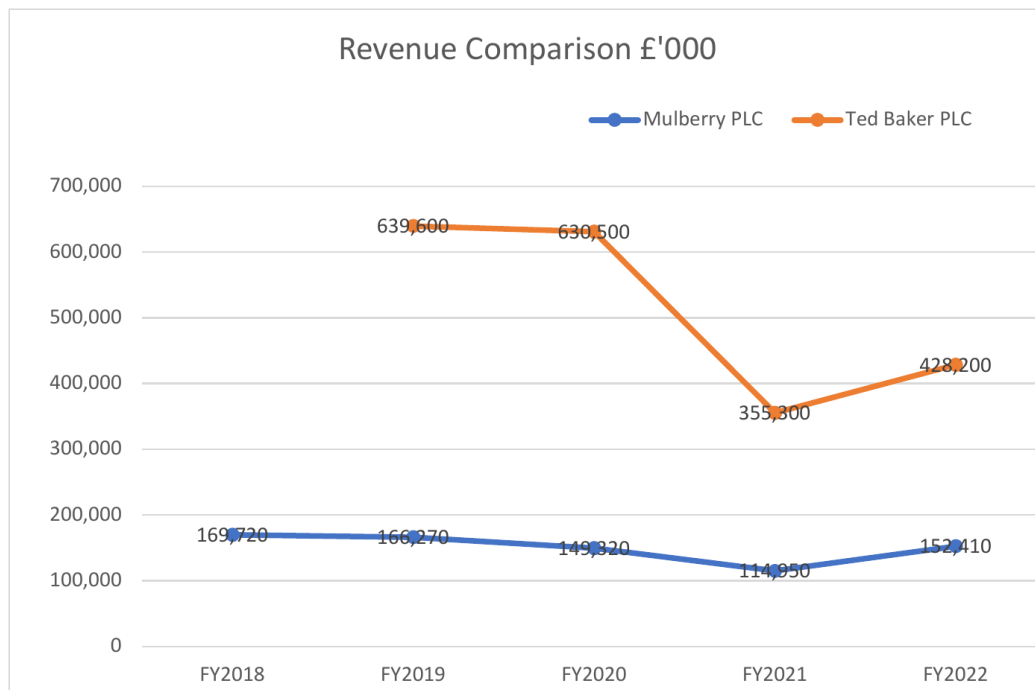


Figure 15: Revenue comparison, Mulberry and Ted Baker, £'000. (Source: Mulberry and Ted Baker annual reports)

Ted Baker is almost three times Mulberry's size, with revenue of £428.2 million in FY2022, up from £355.3 million, but far below its pre-pandemic £639.6 million. Mulberry has recovered to 90% of its FY2018 revenue; Ted Baker to 67% of its FY2019 peak.

ii. Comparison of Net Income

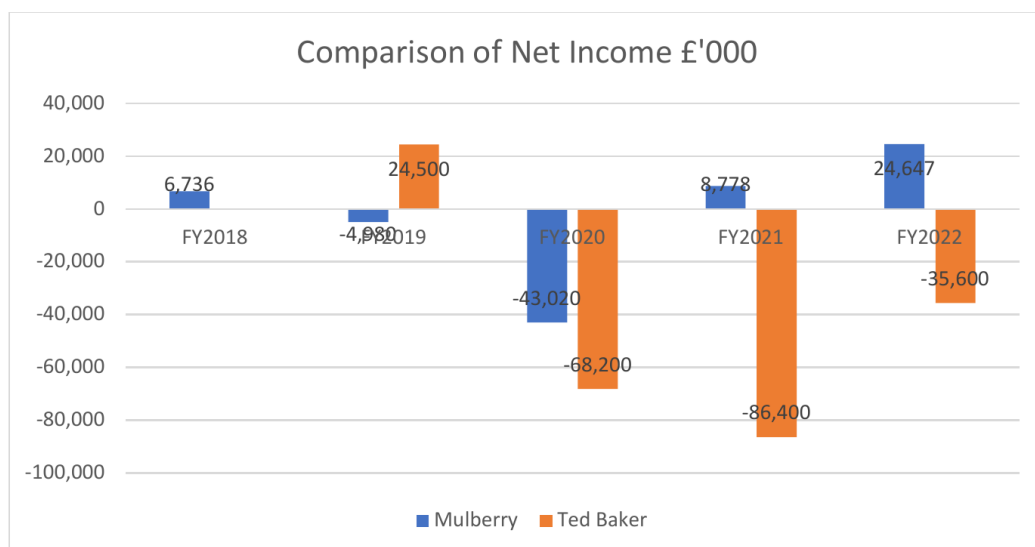


Figure 16: Comparison of net income, £'000. (Source: Mulberry and Ted Baker annual reports)

Both companies lost heavily in FY2020, but Mulberry returned to profit in FY2021 while Ted Baker lost £86.4 million that year and £35.6 million in FY2022. The difference comes down to gross margin: at 55% against Mulberry's 72%, Ted Baker has much less room to absorb fixed store costs when sales fall. **Scale has not protected Ted Baker; margin has protected Mulberry.**

iii. Market Forecast

Mulberry PLC has a conservative financial structure, resulting in steady but slower revenue growth (Mulberry, 2022). Its average analyst share price target is 275.00 GBX, against a last close of 255.0 GBX, an upside of 7.8% over 12 months (MSN Money, n.d.). With a free float of about 5%, analyst targets for Mulberry deserve less weight than its operating KPIs, because few shares change hands.

6. SWOT Analysis: Mulberry PLC

Strengths	Weaknesses
Industry-leading gross margin (71.7%) from pricing power and Somerset manufacturing	UK dependence: 69% of retail revenue from one mature market
Net cash of £25.7 million and no bank borrowings at FY2022	Lease liabilities of £63.7 million: a large fixed cost base
Strong digital platform: 31% of revenue, sales in about 190 countries	Inventory of about 311 days of cost of sales
Established brand and loyal 24 to 45 customer base	Limited menswear and product range; low R&D compared with peers

Table 3: SWOT analysis, strengths and weaknesses.

Opportunities	Threats
Asia Pacific growth: +28% in FY2022, China +59%	Rising costs as pandemic support ends: operating expenses +22%
Tourist spending returning to the UK	Margin pressure if full-price sales weaken and stock must be cleared
Sustainability: low-impact materials and the Mulberry Exchange resale scheme	Larger, better-funded luxury competitors and cheaper substitutes
Department-store partnerships (franchise and wholesale +48%)	Consumer spending squeezed by inflation and rising energy prices

Table 4: SWOT analysis, opportunities and threats.

7. Market Analysis

Mulberry has a strong presence in the luxury fashion sector, focused on leather products and accessories. Market assessments predict steady growth in luxury goods, with a projected compound annual growth rate of 4.6% from 2023 to 2028 (Yahoo!, n.d.).

i. Market Demographics

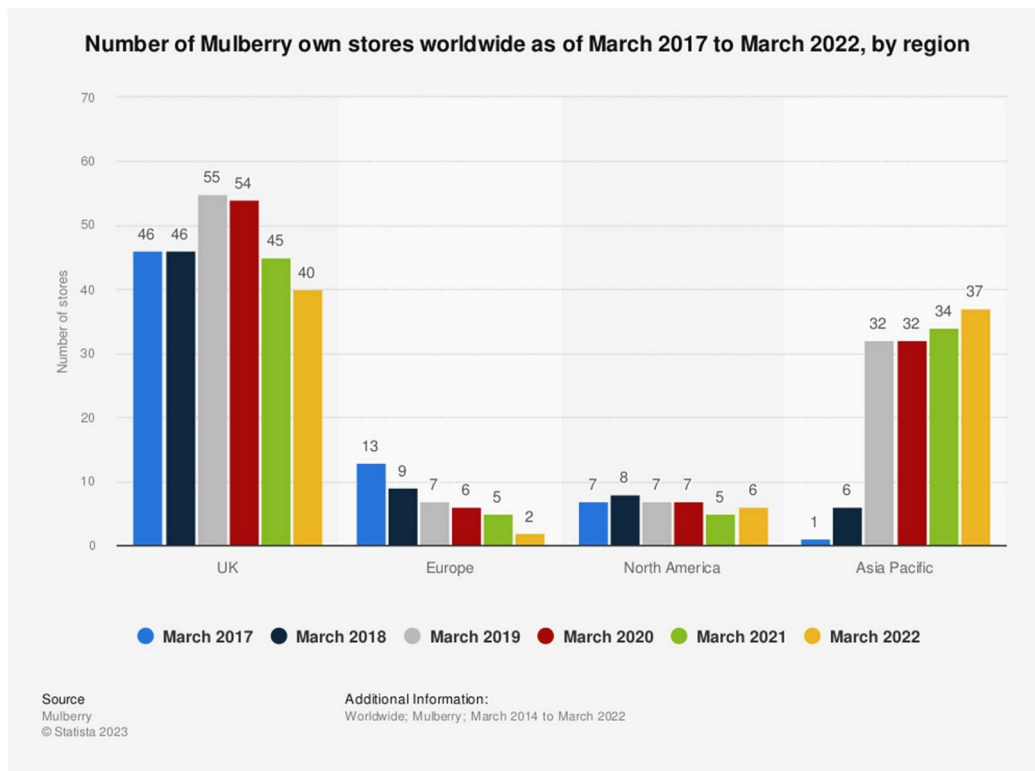


Figure 17: Number of Mulberry own stores worldwide, March 2017 to March 2022, by region. (Source: Statista, 2022)

By March 2022 Mulberry had 40 stores in the UK and 37 in Asia Pacific. The UK network has been shrinking since 2019 while Asia Pacific has grown from one store to 37, which shows where management sees growth. The FY2022 results support that choice: Asia Pacific retail revenue grew 28%, the fastest of any region.

ii. Channels to Market

Mulberry's omni-channel model combines its own stores, digital sales in about 190 countries and franchise and wholesale partners. Franchise and wholesale revenue rose 48% to £22.2 million in FY2022, a low-fixed-cost route into new markets.

iii. Consumers and Social Media

Mulberry's clientele are urban, cosmopolitan and aged about 21 to 55, with the most active customers between 24 and 45. The brand is most associated with women's luxury accessories. Social media marketing supports both digital sales and store traffic (Mintel, n.d.).

8. KPI Framework

The ratios in section 3 are lagging indicators. A board or investor tracking Mulberry would get earlier warning from the operating KPIs below, all of which can be calculated from Mulberry's published results.

KPI	FY2021	FY2022	Why it matters	Watch level
Gross margin	63.6%	71.7%	Pricing power and full-price sales	Below 65%
Underlying profit before tax	£5.9m	£14.6m	Earnings without one-offs	Falling year on year
Revenue headroom above break-even	£5m	£33m	Resilience to a sales shock	Below £15m
Operating expense growth vs revenue growth	n/a	+22% vs +33%	Operating leverage	Costs growing faster
Digital share of revenue	49%	31%	Low-fixed-cost growth	Below 25%
Inventory days	275	311	Risk of discounting	Above 330
UK share of retail revenue	66%	69%	Concentration risk	Rising

Table 5: KPI framework for monitoring Mulberry.

9. Conclusions and Recommendations

For potential investors

As of 2 April 2022 the market price of Mulberry's ordinary shares was £3.10, within a range of £2.32 to £4.07 during the period (Mulberry, 2022). The last close was 255.00 GBX against an average target of 275.00 GBX; the company has a trailing P/E ratio of 14.4, a price-to-sales ratio of 0.82, a market capitalisation of £126.16 million and an enterprise value of £192.45 million.

The original view was that long-term investors could buy and existing holders should hold. The deeper analysis supports a more cautious version of that view: **hold, with conditions**. Mulberry's margin advantage over Ted Baker is real, but FY2022 profit was flattered by one-off gains, costs are rising with reopening, and lease and inventory commitments are larger than the liquidity ratios show. Investors should hold only while gross margin stays above 65% and operating costs grow more slowly than revenue, and should watch the KPIs in Table 5 at each results announcement.

For management

1. **Protect full-price sales.** Margin is the biggest driver of profit (Table 2); manage stock to avoid discounting.
2. **Hold operating costs below revenue growth** and report break-even revenue alongside sales.

3. **Reduce UK dependence** by backing Asia Pacific and franchise partners, which grow without matching fixed costs.
4. **Keep digital above a third of revenue**, using stores and digital together rather than letting store reopening cannibalise online sales.

10. Data Notes

- The original report described £36.8 million and £31.5 million as current assets; these are Mulberry's inventory balances for FY2022 and FY2021.
- In the revenue and net income charts, the FY2021 and FY2022 profit bars show operating profit (£8.8 million and £24.6 million); profit for FY2022 after tax was £19.2 million.
- Statista's regional figures (Figure 3) do not reconcile to reported revenue and are used for shares only.
- FY2019 was a 53-week year, as was FY2022, which flatters comparisons with the 52-week years either side.

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