

24 July 2020

HOTEL CHOCOLAT GROUP PLC

(“Hotel Chocolat”, the “Company” or the “Group”)

Trading Update

Hotel Chocolat Group plc, a premium British chocolatier and omni-channel retailer, today announces a post-close trading update for the 52 weeks ended 28 June 2020 (“FY20”), and an update on recent trading, the Group’s financial position and outlook.

FY20 TRADING UPDATE

- Revenue of £136 million, an increase of 3 per cent compared to the 52 weeks ended 30 June 2019:
 - In the first half of the year, Group sales of £92m were an increase of 14 per cent year-on-year.
 - In the second half of the year, Group sales of £45m were a decline of 14 per cent year-on-year.
- All UK physical locations were closed for a period of 12 weeks from 22 March to 15 June. This period coincided with Easter and Mother’s Day, two of the three largest gifting seasons for the Group. The business was able to migrate a significant proportion of these sales to online. The team demonstrated great agility by collecting Easter inventory from over 100 retail locations, temporarily reducing the online product range, and introducing pre-selected product bundles so that the Distribution Centre could safely handle as much of the surge in online demand as possible.
- In total, digital sales accelerated to over 200% year-on year in the fourth quarter. In addition to increased gifting sales, digital sales growth throughout the period was supported by a 47% year-on year increase in the sales of subscriptions and recurring purchases, including Hot Chocolat refills for the Velvetiser in-home system.
- The factory in Cambridgeshire was temporarily closed for eight weeks whilst adaptations were made to ensure Covid-secure working. It re-opened in May and is now operating at 90% of normal capacity.
- Whilst the actions above led to some material additional short-term costs in the second half of the year, both in the form of lower gross margins due to re-handling of inventory, and increased overheads due to the adoption of new working practices, it has led to improved agility and resilience of the ongoing business.
- The Group anticipates underlying pre-tax profit to be in line with expectations. In the light of current and anticipated trading performance the carrying value of existing fixed assets is being reviewed. This review may give rise to a higher than historic impairment charge, but any such adjustment will be a non-cash charge and will be confirmed at the release of preliminary results, scheduled for 29 September 2020.

RECENT TRADING & OUTLOOK

- Since early March, the Group has been focused on managing both the immediate and longer-term impact of Covid-19 on the business. The foremost priority throughout this period has remained the safety and wellbeing of colleagues, customers, and communities.
- 119 of 125 UK locations are currently open for business. Sales in “High Street” locations are performing more strongly than in city-centre “commuter” locations. Whilst total sales from physical locations are lower year-on-year, digital growth remains very strong and Group-wide sales since the end of the period remain in line with management expectations. A similar pattern has been seen in both the USA, and in Japan, which is operated by a joint-venture partner.

- The Board remains confident in the resilience of the Brand, and the potential for growth and success in the future but it also acknowledges less visibility than usual for FY21, given the uncertain severity and duration of the Covid-19 impact.

FINANCIAL POSITION

- The Group remains well capitalised with £25m cash on hand, giving £60m of headroom within its agreed banking facilities.
- Having raised £22m investment capital in March, the Group has continued to invest, as planned, for future growth, and has recently:
 - Signed a new 5-year lease on an enlarged Distribution Centre in Cambridgeshire, and commenced fitting out, which will increase supply-chain capacity by over 100% for FY21.
 - Continued to invest in increasing UK manufacturing capacity.
 - Upgraded digital, launching a new VIP loyalty app, with further developments under way for launch in FY21 including gift-sending app capability and new subscription concepts.

Angus Thirlwell, Co-Founder and Chief Executive Officer of Hotel Chocolat, said:

"I've been hugely impressed by how our team have responded, culturally, professionally and ethically during the pandemic. The acceleration of change in the retail landscape has galvanised us to speed up our plans and investments in the opportunities we were already pursuing.

"Our physical retail usually accounts for over 70% of sales in the second half, but all locations were closed for the entire Easter period this year and beyond. It is a testament to our lovely customers' loyalty that they switched in droves to online and we contained the Group impact to only -14% in the half.

"Online, our brand is now set to a significantly faster growth trajectory, delivering gifts, subscriptions and household indulgence. Some of this is attributable to Covid-accelerated change, but new concept launches, and digital enhancements have also supported growth. The Velvetiser in-home drinks system, the VIP loyalty programme, and new subscriptions capability will continue to generate growth in the years ahead.

"We remain positive about the unparalleled leisure experience a physical Hotel Chocolat can deliver within our multi-channel direct-to-consumer model. All we need is footfall, and so far we are seeing that return at different rates. Residential areas are stronger, with city centres more subdued without as many commuters and tourists.

"We pledged at the beginning to keep the Hotel Chocolat family together through this, and that is what we have done. We are confident about the prospects for our business and are actively creating 200 new jobs this year, primarily roles in our UK chocolate-making factory and enlarged distribution centre.

"We're excited about our upcoming new Latte coffees for our Velvetiser in-home system, and a complete range of Nutmilk truffles and pralines, which just happen to be totally vegan too. In September, we will launch the Wonka-esque 'Inventing Room Panel'; a limited-membership subscription experience with privileged access to try all of our potential new ideas, with voting rights on whether they should be launched.

"Our new businesses in Japan and the US have adapted nimbly and we remain confident about our opportunities overseas in the years ahead."

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Notes to Editors:

Hotel Chocolat is a premium British chocolatier with a strong and distinctive brand. The business was founded in 1993 by Angus Thirlwell and Peter Harris and has traded under the Hotel Chocolat brand since 2003. The Group sells its products online and through physical locations in the UK and abroad. The Group has a cocoa farm and eco-escape hotel in Saint Lucia, offering complete cocoa immersion through tree-to-bar experiences and wellness treatments. The Group also has a flagship restaurant and cacao roastery in London's Borough Market: Rabot 1745. The Group was admitted to trading on AIM in 2016.