Findel

FINDEL FULL YEAR RESULTS

5 June 2013

Agenda

Introduction	Roger Siddle
Financial Review	Tim Kowalski
Business Review	Roger Siddle
Current Trading & Summary	Roger Siddle

Introduction

- Considerable progress against multi-year turnaround
- Growth in sales and profits whilst simultaneously reducing net and core bank debt
- Significant further opportunity in business - target of growing Group operating margin from 4.6 % to 7-9% in the medium term

Well positioned for significant progress in the coming year

Financial Review

Tim Kowalski

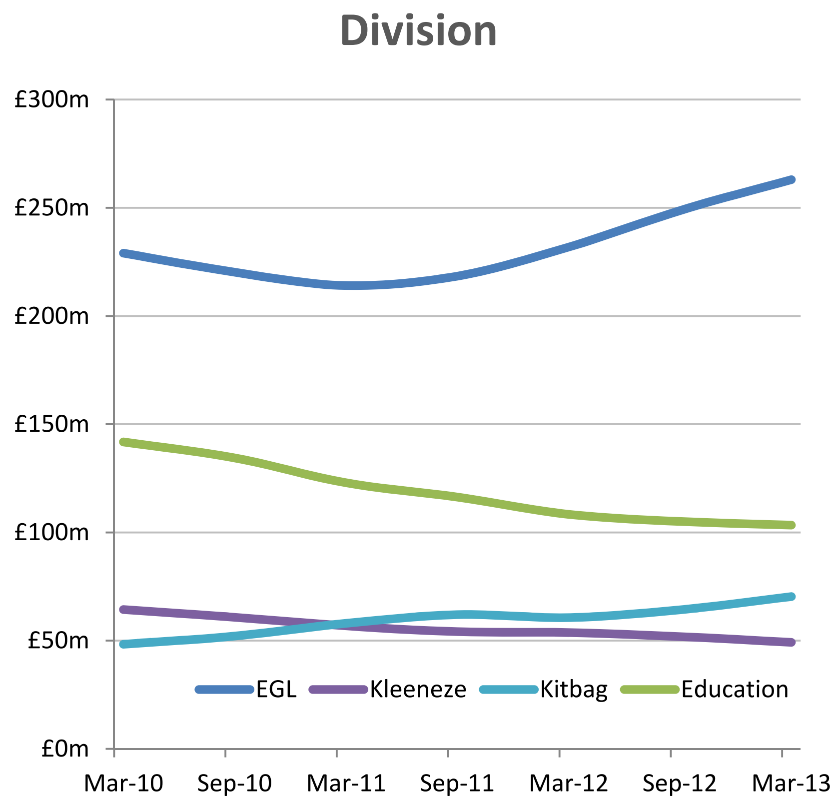
Financial review – overview

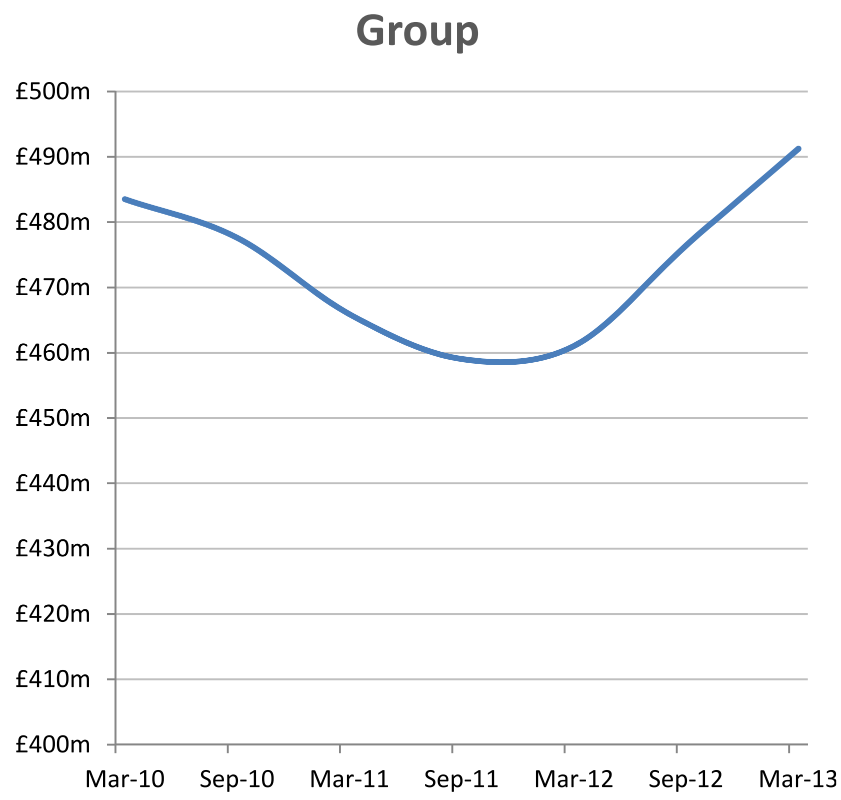
- Revenue
  - Total group (including NRS) £580.6m – 8.0% ahead of prior year
  - Continuing operations £491.2m – 6.5% ahead of prior year
- Operating profit*
  - Total group (including NRS) £25.1m – 20% ahead of prior year
  - Continuing operations £22.4m – 20% ahead of prior year, margin up from 4.1% to 4.6%
- Profit before tax*
  - Total group £15.5m – 45% ahead of prior year
  - Continuing operations £12.9m – 53% ahead of prior year
- Core net debt £11.6m lower with further reduction post year-end from NRS sale proceeds

Significant improvement across all key financial metrics

* Before exceptional items

Annualised group sales*





Strong upward trajectory in group sales

* Rolling 12 months sales

Financial performance

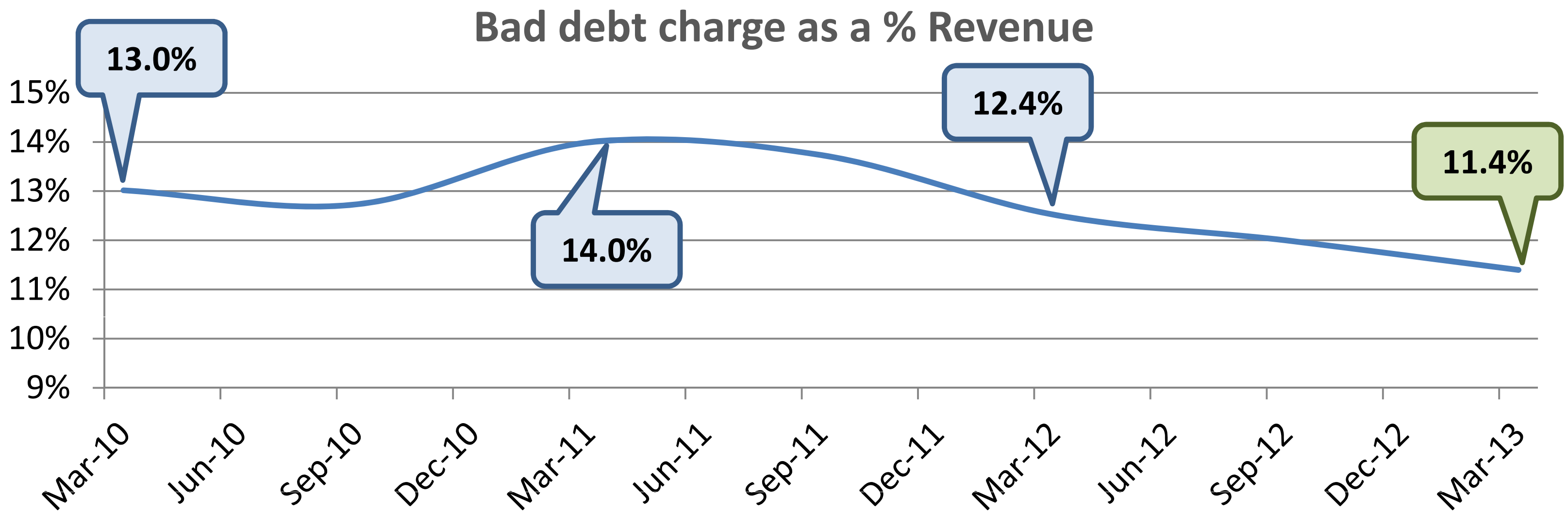
£m	Revenue*			Operating profit*			Operating margin		
	FY2013	FY2012	%	FY2013	FY2012	%	FY2013	FY2012	Change
Express Gifts	263.0	231.9	*13.4%*	21.8	18.8	*15.9%*	8.3%	8.1%	↑0.2%
Kleeneze	49.2	53.7	*(8.4%)*	2.0	3.2	*(38.3%)*	4.0%	6.0%	↓2.0%
Kitbag	70.4	60.7	*16.0%*	(1.7)	(4.2)	*59.8%*	(2.4%)	(6.9%)	↑4.5%
Education Supplies	103.2	108.3	*(4.7%)*	0.9	0.8	*9.1%*	0.9%	0.8%	↑0.1%
Major divisions	**485.8**	**454.6**	***6.9%***	**23.0**	**18.7**	***23.5%***	**4.6%**	**4.1%**	**↑0.5%**
Overseas sourcing	5.5	6.5	*(15.4%)*	-	-	-			
Unallocated costs	-	-	-	(0.6)	-	-			
Continuing operations	**491.2**	**461.1**	***6.5%***	**22.5**	**18.7**	***20.0%***	**4.6%**	**4.1%**	**↑0.5%**
Healthcare	89.4	76.8	*16.4%*	2.6	2.2	*17.8%*	2.9%	2.9%	-
Total Group	**580.6**	**537.9**	***8.0%***	**25.1**	**20.9**	***20.0%***	**4.3%**	**3.9%**	**↑0.4%**

Improved performance across majority of the Group

* Before exceptional items

Numbers rounded to one decimal place

Express Gifts bad debt charge



- Bad debt charge 11.4% of Express Gifts' sales (FY 2012: 12.4%) reflecting benefits of rolled-out behavioural credit scoring system
- Embarked on a comprehensive re-assessment of our risks, costs, prices and charges within our financial services area
- Aim to have a more flexible and personalised offering in medium term

Bad debt charge has reduced again

Income statement

£m	Continuing operations	
	2013	**2012**
Profit before tax and exceptional items	12.9	8.5
Exceptional items	(11.3)	(22.7)
Profit /(loss) before tax	1.6	(14.2)
Taxation	0.9	8.1
Profit / (loss) after tax	2.5	(6.1)
Weighted average no. of shares, post consolidation	84.8	84.8
Earnings / (loss) per share	2.9p	(7.1p)

- Sharp reduction in exceptional items
- Tax affected by prior-year credits
- Earnings per share positive

Return to statutory profit before tax after 5 years of losses

Exceptional items

£m		
	2013	**2012**
PPI redress	4.8	-
Contract renegotiation	1.3	-
Onerous properties	1.1	0.1
Restructuring	4.0	7.6
Stock write downs	-	3.0
Warehouse reorganisation	-	0.4
Intangible asset impairment	-	8.4
Finance costs	0.3	3.4
Total	**11.5**	**22.9**

Significant reduction in the level of exceptional items

Taxation

£m		
	2013	**2012**
Profit before tax from continuing ops	1.6	(14.2)
Tax @ mainstream rates	(0.4)	(3.7)
Less adjustments	1.4	5.0
Current tax	1.0	1.3
Prior period adjustments	0.1	4.9
Deferred tax	(0.2)	2.0
Total tax (charge) / credit	**0.9**	**8.1**

Non-recurrence of one-off tax credits seen in FY12

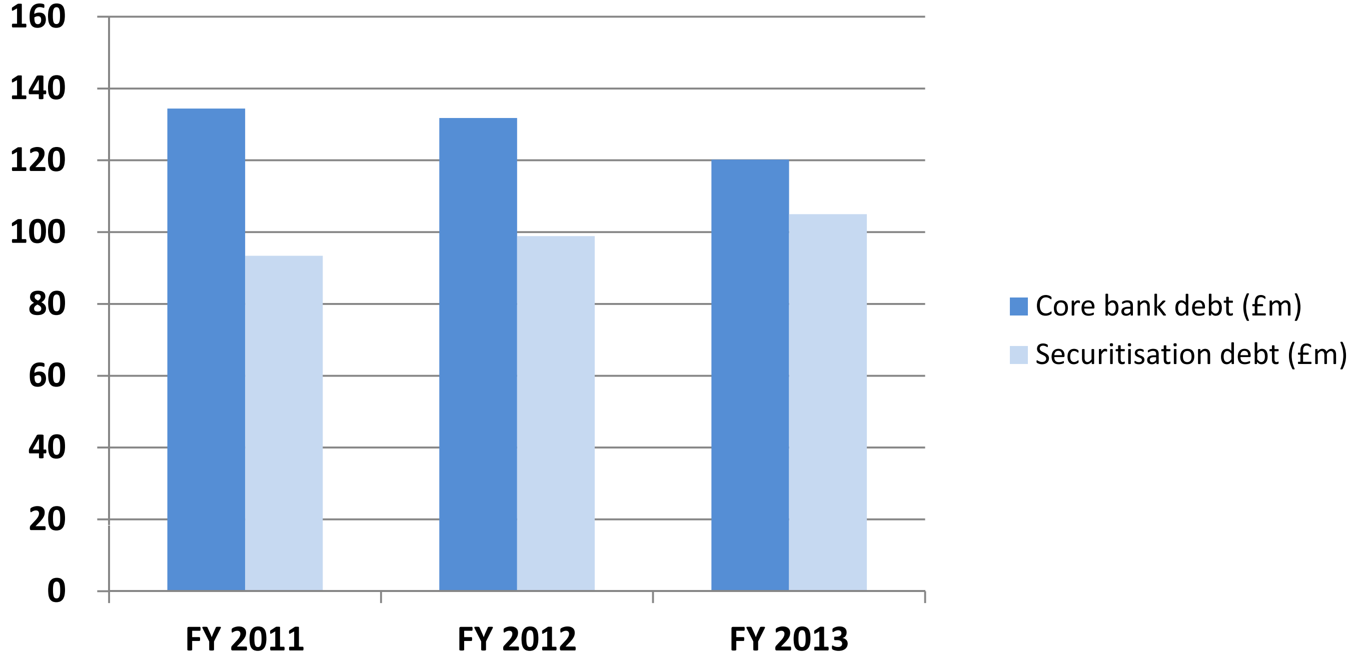
Net debt

£m	FY 2013	FY 2012	Change
Bank borrowings	154.2	164.9	10.7
Less cash	(34.0)	(33.1)	0.9
Core bank debt	**120.2**	**131.8**	**11.6**
Securitisation drawings	105.0	98.9	(6.1)
Net debt	225.2	230.7	5.5

- Core bank debt reduced by £11.6m to £120.2m
- Post-year end proceeds from NRS sale improve this position further

Improved net debt position despite growth in the businesses

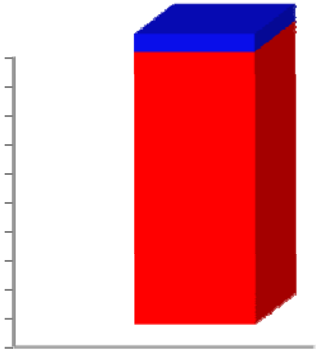
Core bank debt reduction



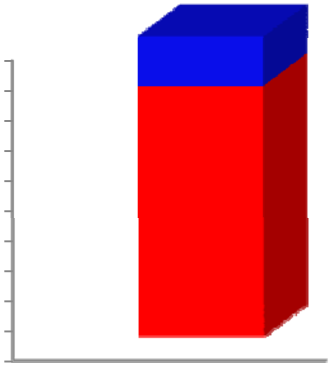
- Estimated c. £45m of core bank debt supports the receivables in EGL, in addition to the securitisation debt
- Core bank debt would have reduced by a further £5.3m without EGL growth

Aim to minimise core bank debt in the medium term

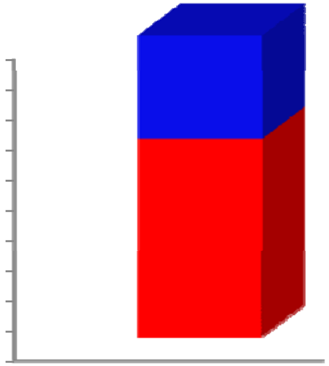
Summary



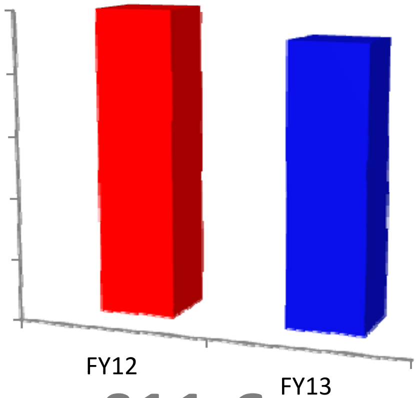
+6.5%
Sales YoY



+20%
Op. Profit*
YoY



+53%
PBT YoY



-£11.6m
Core Bank
Debt YoY

Significant improvement across all key financial metrics

* Continuing operations, before exceptional items

Business Review

Roger Siddle

Four businesses with significant potential

Express Gifts	Rejuvenate a major player	• Upgrade and integrate core systems • Implement behavioural credit scoring system • Improve buying and merchandising processes

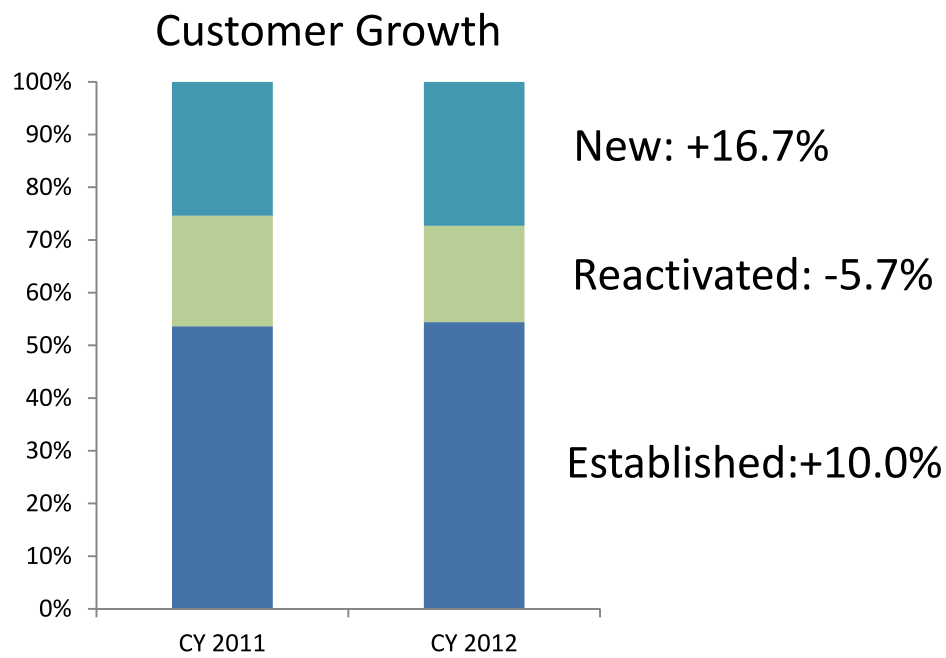
Express Gifts

	2013	2012	*vs. Prior Year*
Sales	263.0	231.9	*+13.4%*
Operating profits	21.8	18.8	*+15.9%*

- Continued focus on strong product value for customer has delivered results
- Systems implementation programme remains on track
- Changes to Far East sourcing operation borne fruit, but more to go for
- Behavioural credit scoring system fully implemented

Another strong performance from Express Gifts

Express Gifts – Opportunities



- Retention rate improved to 59% from 56.5% in prior year

Continue to see significant potential in Express Gifts

Four businesses with significant potential

Express Gifts	Rejuvenate a major player	• Upgrade and integrate core systems • Implement behavioural credit scoring system • Improve buying and merchandising processes
Kleeneze	Look for growth	• Identify geographic areas with few distributors • Revise the recruitment offer to new distributors

Kleeneze

	2013	2012	*vs. Prior Year*
Sales	49.2	53.7	*-8.4%*
Operating profits	2.0	3.2	*-38.3%*

- Disappointing sales performance
  - Sales and operating profits impacted by 10% reduction in active ordering distributors
  - Bad weather in first half increased distributor attrition rate, and highlighted weaknesses in the offer
- Actions taken to address this
  - Management changes, restructured overheads
  - Developed new distributor and product proposition

Plan in place to restore appropriate profitability

Four businesses with significant potential

Express Gifts	Rejuvenate a major player	• Upgrade and integrate core systems • Implement behavioural credit scoring system • Improve buying and merchandising processes
Kleeneze	Look for growth	• Identify geographic areas with few distributors • Revise the recruitment offer to new distributors
Kitbag	Accelerate profitable growth	• Accelerate roll-out of outsourced retail management to other football clubs • Develop the pipeline of new sporting partnerships

Kitbag

	2013	2012	*vs. Prior Year*
Sales	70.4	60.7	*+16.0%*
Operating profits	(1.7)	(4.2)	*+59.8%*

- Sales driven by both new and existing contracts
- Profitability enhanced due to focus on improving gross margin
  - Investments in buying and merchandising processes, systems and people
  - Reduced royalty rate
  - Still more to do to restructure unprofitable contracts
- Kitbag.com re-launch made slower progress than hoped but sales in key international markets continued to grow positively
- Pipeline of new contracts remains strong

Good progress, strong pipeline, more to do

Four businesses with significant potential

Express Gifts	Rejuvenate a major player	• Upgrade and integrate core systems • Implement behavioural credit scoring system • Improve buying and merchandising processes
Kleeneze	Look for growth	• Identify geographic areas with few distributors • Revise the recruitment offer to new distributors
Kitbag	Accelerate profitable growth	• Accelerate roll-out of outsourced retail management to other football clubs • Develop the pipeline of new sporting partnerships
Education Supplies	Turn around a market leader	• Improving supply chain management • Enhancing customer contact processes • Improving pricing and category management

Education Supplies

	2013	2012	*vs. Prior Year*
Sales	103.2	108.3	*-4.7%*
Operating profits	0.9	0.8	*+9.1%*

- Year-on-year comparisons distorted by change in catalogue timing – net adverse £1.5m profit impact this year – and shorter duration of Sainsbury's Active Kids programme
- Established strong platform for growth in future years, arresting multi-year decline
  - Core UK brands have grown 1.1% (vs FY12 decline of 12.9%)
- Conducted a full re-engineering of product selection, catalogue design/production and pricing architecture processes and launched further improved set of catalogues into the market
- Awarded Scotland Excel contract for all Scottish LEA schools

Well placed for growth

Current trading

- Encouraging trends in all businesses, building on the strong H2 momentum:
  - Express Gifts seeing continued growth in sales with early signs of benefits to gross margin from increased use of our Far East sourcing office
  - Kleeneze rate of decline narrowing after recent management changes and revisions to the distributor offer
  - Kitbag sales ahead of same period in FY13, although end of season stock clearance impacting margin slightly
  - Education Supplies experiencing growth in both sales and margin following new catalogue launches in April 2013 and new contract wins

A good start to the year

Summary and priorities

- Encouraging results illustrating the extent of progress made
- Target of improving Group operating margin from 4.6% to 7-9% over medium term
- Continue to execute the turnaround plan, significant further progress anticipated

Unlock the potential

Thank you