

**Findel**

**FINDEL HALF YEAR RESULTS**

27 NOVEMBER 2013

# Agenda

Introduction

Roger Siddle

Financial Review

Tim Kowalski

Business Review

Roger Siddle

Summary

Roger Siddle

# Introduction

- Excellent progress in first half
  - 4th consecutive six-month period of year on year revenue growth
- Particularly strong performance from Express Gifts
  - Sales up 10.7%, operating profits up £3.8m
- Education turnaround progressing well
- 80bp improvement in Group operating margin from 4.6% to 5.4%\*
- On track to hit 7-9% target range in FY14-15

Continue to deliver the turnaround and deleverage the business

Financial Review  
Tim Kowalski

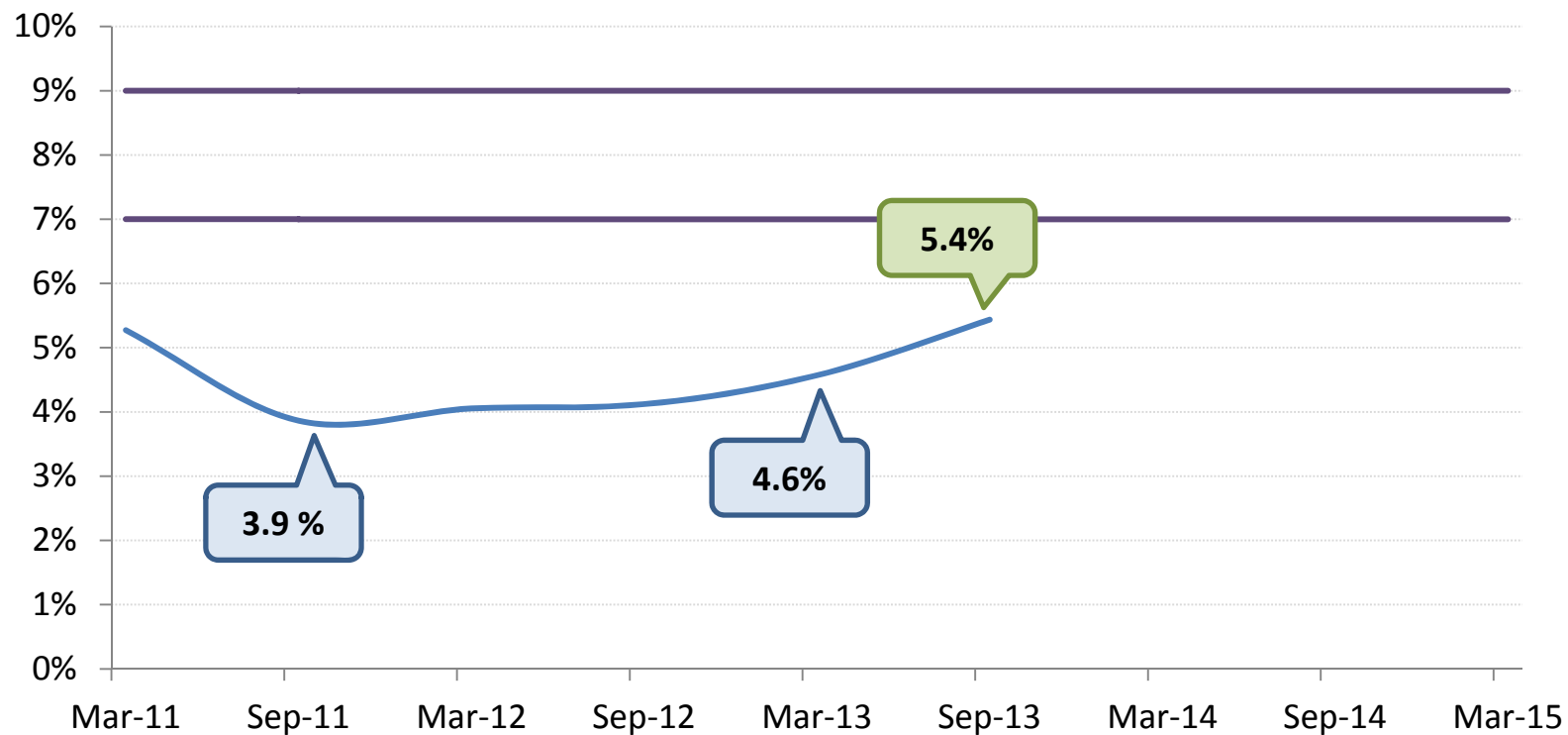
# Financial review – overview

- Revenue
  - Total group £243.6m – 5.2% ahead of prior year
- Operating profit\*
  - Total group £4.5m – versus prior year loss of £0.4m
- Loss before tax\*
  - Total group loss of £0.4m – significantly narrowed from prior year loss of £6.0m
- Core bank debt £21.2m lower with overall net debt £15.4m lower, despite growth of £16m of EGL receivables

On track for strong full year profit growth and debt reduction

\* Before exceptional items

# Year-on-year operating margin progression



On track to meet medium-term operating margin targets

\* Rolling 12 months operating margin from continuing operations – pre-exceptional items

## Financial performance

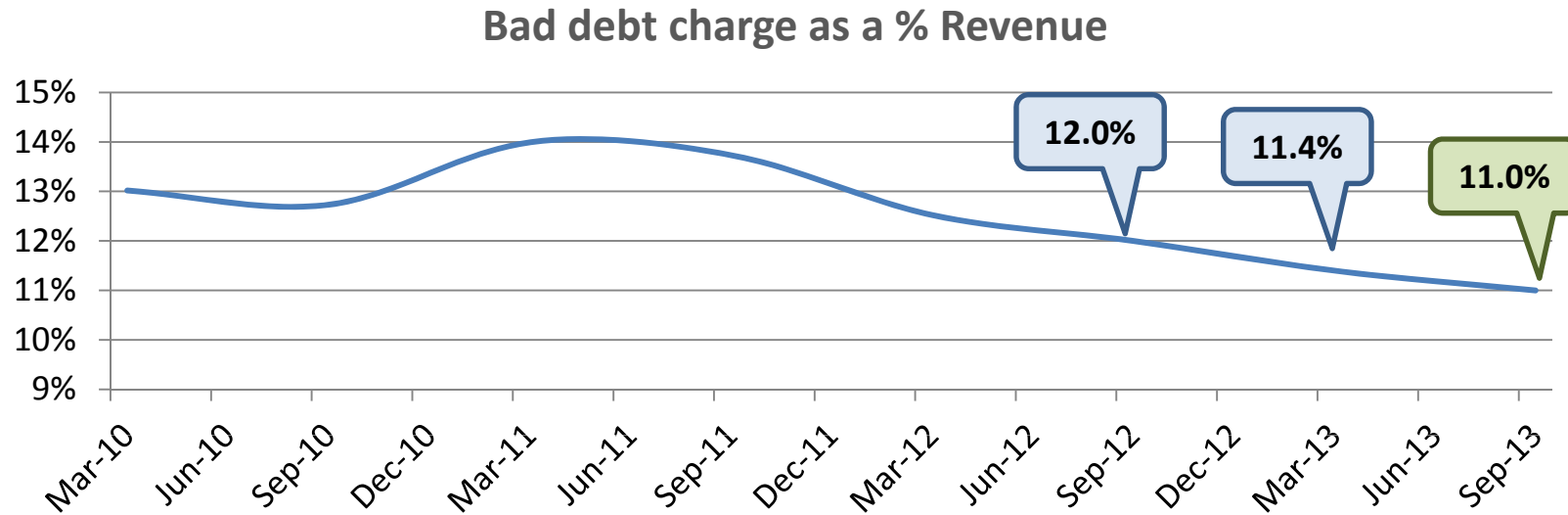
£m	Revenue*			Operating profit*			Operating margin**		
	H1-2013	H1-2012	%	H1-2013	H1-2012	Change	12mths to Sep-13	12mths to Mar-13	Change
Express Gifts	121.9	110.1	10.7%	3.3	(0.5)	3.8	9.3%	8.3%	↑1.0%
Kleeneze	23.6	24.4	(3.5%)	0.6	0.7	(0.1)	3.9%	4.0%	↓0.1%
Kitbag	31.6	33.7	(6.3%)	(2.9)	(0.7)	(2.2)	(5.7%)	(2.4%)	↓2.3%
Education Supplies	64.1	59.2	8.2%	3.6	-	3.6	4.1%	0.9%	↑3.2%
<b>Major divisions</b>	<b>241.2</b>	<b>227.5</b>	<b>6.0%</b>	<b>4.6</b>	<b>(0.5)</b>	<b>5.1</b>	<b>5.5%</b>	<b>4.6%</b>	<b>↑0.9%</b>
Overseas sourcing	2.5	4.2		(0.1)	0.1	(0.2)			
<b>Continuing operations</b>	<b>243.6</b>	<b>231.7</b>	<b>5.2%</b>	<b>4.5</b>	<b>(0.4)</b>	<b>4.9</b>	<b>5.4%</b>	<b>4.6%</b>	<b>↑0.8%</b>

First half Group operating profit for first time in two years

\* Before exceptional items    \*\* annualised numbers

Numbers rounded to one decimal place

# Express Gifts bad debt charge; continuing improvement



- Bad debt charge 11.0% of Express Gifts' sales (FY 2013: 11.4%) reflecting benefits of rolled-out behavioural credit scoring system and enhanced credit management
- Bad debt indicators remain stable

**Bad debt charge further reduced**



# Income statement

£m	Continuing operations	
	H1-2013	H1-2012 (restated)
Operating profit / (loss)	4.5	(0.4)
Interest charges	(4.9)	(5.6)
Loss before tax and exceptional items	(0.4)	(6.0)
Exceptional items	(2.6)	(5.9)
Loss before tax	(3.0)	(11.9)
Taxation	0.5	2.0
Loss after tax	(2.5)	(9.9)
Weighted average no. of shares, post consolidation	84.8	84.8
Loss per share	(2.9p)	(11.7p)

- Sharp reduction in exceptional items
- Statutory loss significantly narrowed

Substantial improvement in financial performance

## Exceptional items

£m		
	H1-2013	H1-2012
PPI redress	2.0	4.8
Contract renegotiation	(0.3)	-
Restructuring	0.8	1.0
Finance costs	0.1	0.1
Continuing operations	2.6	5.9
Discontinued operations	0.2	-
<b>Total</b>	<b>2.8</b>	<b>5.9</b>

Reduction in the level of exceptional items continues

# Net debt

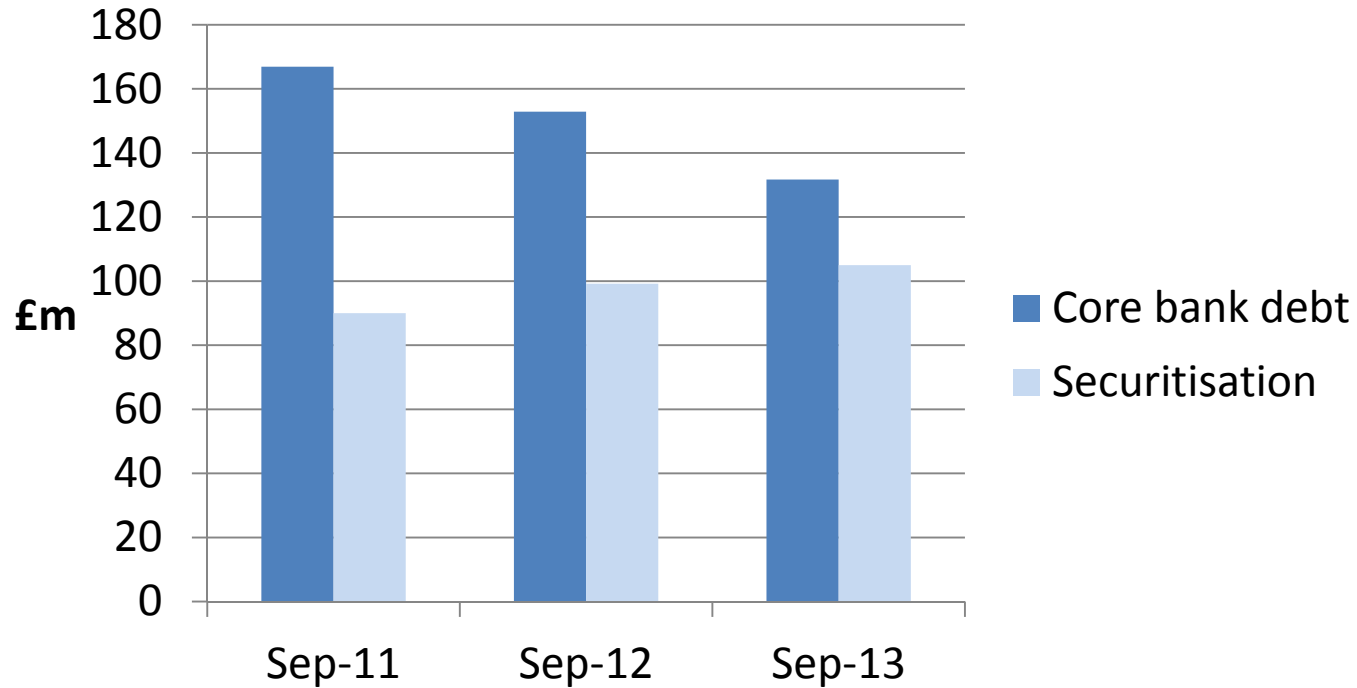
£m	H1- 2013	H1-2012*	Change
Bank borrowings	157.2	183.1	25.9
Less cash	(25.5)	(30.2)	(4.7)
<b>Core bank debt</b>	<b>131.7</b>	<b>152.9</b>	<b>21.2</b>
Securitisation drawings	105.0	99.2	(5.8)
<b>Net debt</b>	<b>236.7</b>	<b>252.1</b>	<b>15.4</b>

- Core bank debt reduced; benefit of disposal proceeds
- Core bank debt impacted by receivables growth
- Increase in securitisation drawings reflecting Express Gifts growth

Improved net debt position despite growth in the businesses

\* Includes £1.7m of cash recorded on balance sheet within "Assets held for sale"

## Core bank debt reduction



- Estimated c. £45m of core bank debt supports the receivables in Express Gifts, in addition to the securitisation debt

Aim to minimise core bank debt in the medium term

## Financial Summary

- Sales up 5.2%
- Operating profit of £4.5m vs prior year loss
- Loss before tax narrowed to £0.4m vs £6m in prior year
- Group operating margin increased to 5.4% vs 4.6% in prior year
- Net debt reduced by £15.4m to £236.7m
- Balance sheet gearing\*\* improved to 2.2x vs 2.8x in prior year

Substantial improvement in key financial metrics

\* Continuing operations, before exceptional items

\*\*net debt to net assets

Business Review  
Roger Siddle

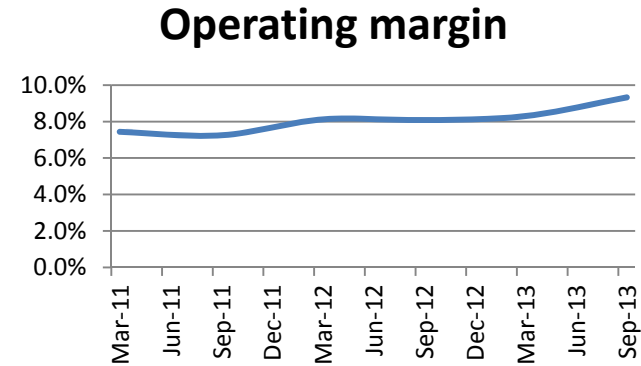
# Four businesses with significant potential

Express Gifts

Rejuvenate a major player

# Express Gifts

	H1-2013	H1-2012	vs. Prior Year
Sales	121.9	110.1	+10.7%
Operating profits	3.3	(0.5)	+3.8



- H1 operating profit versus losses in prior years
- Continued focus on deepening range and selection whilst maintaining attractive pricing has delivered results
- Business working ever closer with Far East sourcing office
  - Proportion of Express Gifts purchases made through our own operation has increased significantly with more to come in the coming year
- Systems replacement project nearing final stages of implementation

**Consistently strong performance**



# Express Gifts

- Customer numbers up 8.4%
- Retention rate increased by 150 bps
  - 84% of additional sales generated by established customers
- Current trading\* up 7.3% vs prior year
- On track for another strong Christmas performance

Consistently strong performance

\* 8 weeks since period end

# Four businesses with significant potential

Express Gifts

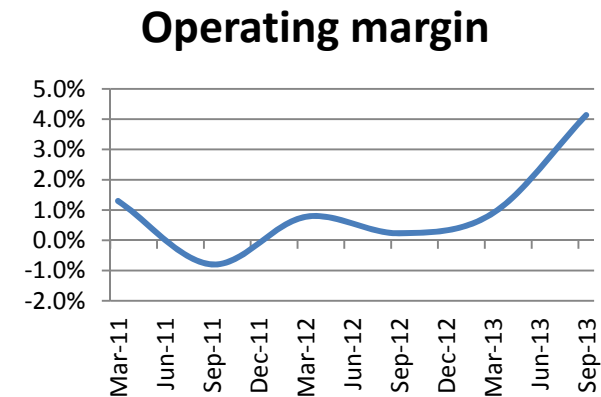
Rejuvenate a major player

Education Supplies

Turn around a market leader

# Education Supplies

	H1-2013	H1-2012	vs. Prior Year
Sales	64.1	59.2	+8.2%
Operating profits	3.6	-	+3.6



- Turnaround present across all categories
  - Customer service levels improved substantially; business now winning awards
  - Schools focussed brands performance driven by improved customer proposition and new business wins
  - Classroom and Specialist brands returned to growth
  - International export business boosted by contract win with a major international schools chain
  - Sainsbury's Active Kids related sales grew as the scheme returned to a more normal structure
- Current trading\* up 3.2% vs prior year; continue to see strong potential

Turnaround well under way

\* 8 weeks since period end

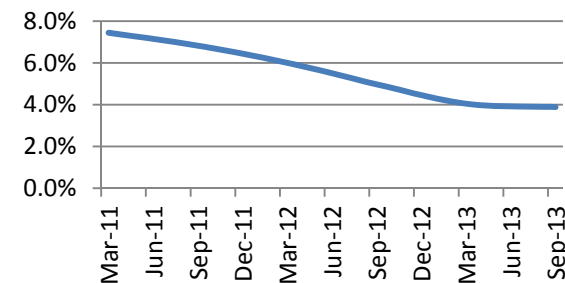
## Four businesses with significant potential

Express Gifts	Rejuvenate a major player
Education Supplies	Turn around a market leader
Kleeneze	Look for growth

# Kleeneze

	2013	2012	vs. Prior Year
Sales	23.6	24.4	-3.5%
Operating profits	0.6	0.7	(0.1)

Operating margin



- Sales decline slowed, profit broadly maintained
- Remedial actions taken:
  - Management changes
  - Reduced overheads
  - Increased coordination with EGL, particularly, synergies in buying and sharing of overhead
  - Redesigned proposition and changed catalogue design and structure
- Current trading: sales are 4.1% behind prior year; actions taken should underpin full year profit performance

A profitable and cash generative contributor to the Group

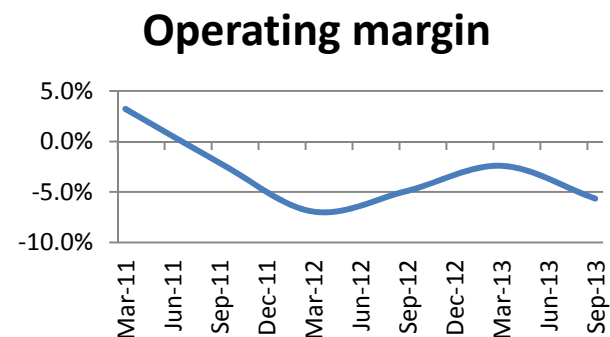
\* 8 weeks since period end

## Four businesses with significant potential

Express Gifts	Rejuvenate a major player
Education Supplies	Turn around a market leader
Kleeneze	Look for growth
Kitbag	Accelerate profitable growth

# Kitbag

	2013	2012	vs. Prior Year
Sales	31.6	33.7	-6.3%
Operating losses	(2.9)	(0.7)	(2.2)



- Sales impacted by:
  - Lower demand from fans of major Kitbag partners reflecting lack of on-pitch success
  - Tough comparative period last year (European Football Championships, Olympics)
- Clear focus on turnaround initiatives and contract renegotiations
  - Launched 21 foreign language websites, increased range of payment mechanisms available, won contract with Borussia Dortmund for online sales outside Germany
  - Renegotiated a legacy contract with a material benefit to profit expected in 2014/15
  - Short term cost and sales action plan closely monitored
- Current trading\* 11% lower vs prior year\*\*; however margins ahead

Turnaround slowed and reduced expectations for this year  
 Improved performance expected next year

\* 8 weeks since period end

\*\*before adjusting for no Ryder Cup this year

## Summary

- Excellent progress in first half with further potential in all Group businesses
- Continue to execute the turnaround plan
- On track to hit our 7-9% Group operating margin target range in FY14-15

Delivering the turnaround and deleveraging the business



Thank you