

Findel plc 2015 Half Year Results

26 November 2014



Agenda

Introduction

HY Review

Financials

Progress & Priorities

Outlook

Highlights

6th consecutive six month period of growth in revenues, profit and reduction of debt

+ve H1 PBT[†]

Operating margin
+30bps[^]

Net bank debt
£15.8m lower

On track to hit 7%+ margin[^] for FY

Broadly stable current trading^{*}

† Profit before tax and exceptional items

^ Rolling twelve month operating margin

* 8 weeks since the period end

Highlights Summary Financials

EGL leading the way, Kitbag making strong recovery

Education challenges and Kleeneze impairment

Revenue Progression

	HY14 £000	HY13 £000	
Express Gifts	129,662	121,929	6.3%
Education Supplies	60,871	64,070	(5.0%)
Kitbag	33,981	31,593	7.6%
Kleeneze	17,937	23,574	(23.9%)
Major divisions	242,451	241,166	0.5%
Overseas sourcing	1,667	2,468	(32.5%)
Group revenue	244,118	243,634	0.2%

Operating Profit Progression

	HY14 £000	HY13 £000	
Express Gifts	4,844	3,305	47%
Education Supplies	3,103	3,582	(13%)
Kitbag	(1,518)	(2,892)	48%
Kleeneze	(385)	589	(165)%
Major Divisions	6,044	4,584	32%
Overseas sourcing	296	(114)	360%
Group operating profit*	6,340	4,470	42%

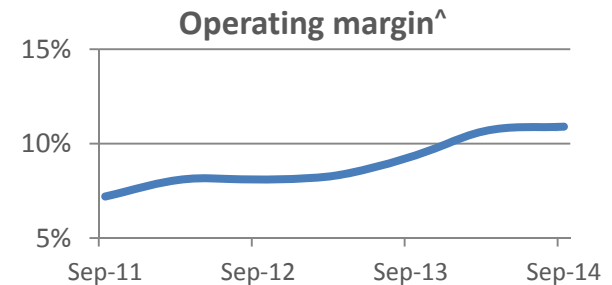
* before exceptional items

Half Year Review

EGL H1 Performance

Progress and
further untapped
potential

£m	HY14	HY13	vs. Prior Year
Sales	129.7	121.9	6.3%
Operating profit	4.9	3.3	47.3%



- Transformed performance over past three years
- Further strong performance with sales up 6.3% and steady growth in the customer base up 4%
 - Predominantly driven by existing customers increasing spend and taking advantage of expanded range
 - Product sales up 8.3% over prior year
 - c.12.5% of products sourced by our Far East direct sourcing office
- Significant improvement in bad debt as a result of improved processes
- Sales flat over last 8 weeks*
 - Strong comparators and differences in phasing
 - Growth improved in the second half of the period
 - Anticipated to continue throughout remainder of Christmas trading period

[^] Rolling twelve month operating margin
* 8 weeks since the period end

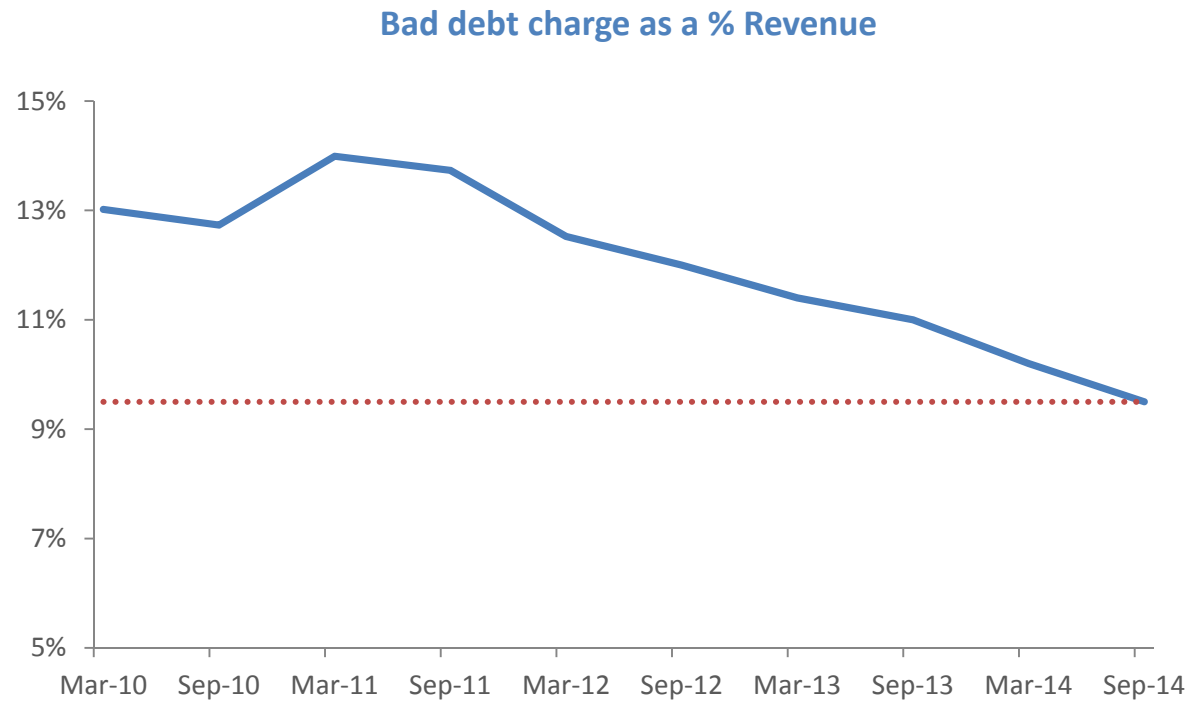
EGL Christmas Best Sellers

Growth across a
broad range of
products



EGL Bad Debt Charge

Continued
progress in
improving bad
debts



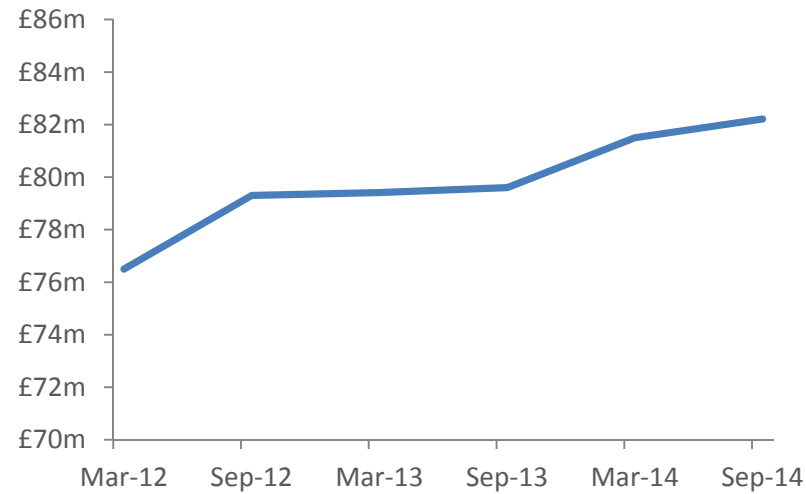
- Reducing bad debt charge and improving quality of book a multi-year priority
- Over the past year, we have
 - Continued to use new behavioural scoring system
 - Made improvements to the customer collection process
 - Refined the credit model; especially management of defaulted accounts

EGL Financial Services

Top-line FS revenue grown at slower rate than product due to improved bad debt

Net FS income showing strong growth

FS Revenue



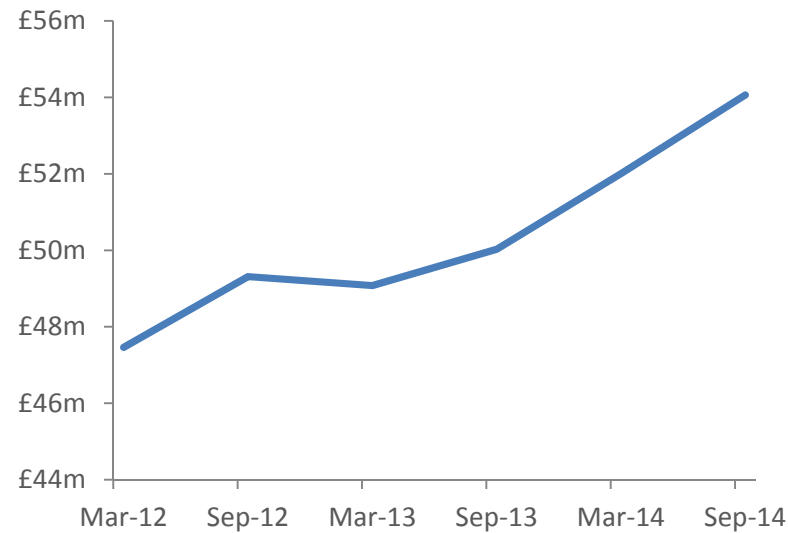
FS revenue:

HY: +3.3%

FY11 – HY 14/15

CAGR: +3.7%

Net FS Income



Net FS Income

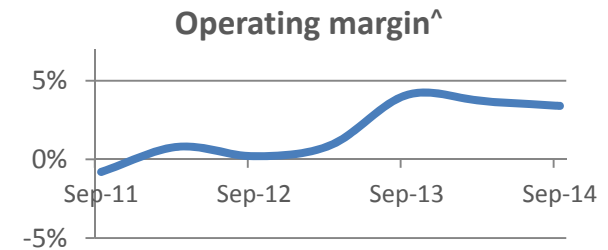
HY: +8.1%

FY11 – HY14/15

CAGR: +7.2%

Education

£m	HY14	HY13	vs. Prior Year
Sales	60.9	64.1	(5.0)%
Operating profit	3.1	3.6	(13.1)%



Long-term potential despite current difficult market

- Challenging first half
 - Uncertainty around budgets and funding
 - London and South-East particularly impacted
 - Early Years – work underway to address opportunity
- Continuing challenges since period end; sales (7.5)%*
- Corrective actions underway to help mitigate impact, but overall expectations for FY lowered
- Business restructured to improve efficiency and effectiveness; delivering industry-leading service levels
- Longer-term, well positioned to benefit from pupil growth in London and South-East heartland (forecast primary school pupil growth 3% p.a. between 2012-17[†])

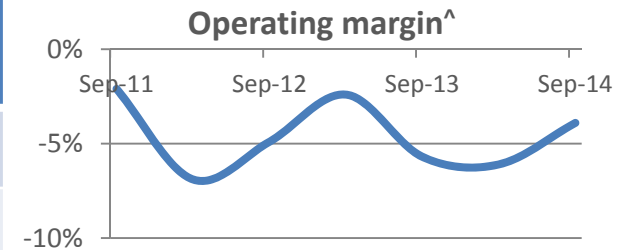
[^] Rolling twelve month operating margin

* 8 weeks since the period end

[†] Source: "Do the Maths 2014", London Councils

Kitbag

£m	HY14	HY13	vs. Prior Year
Sales	34.0	31.6	7.6%
Operating profit	(1.5)	(2.9)	47%



Pleasing improvement

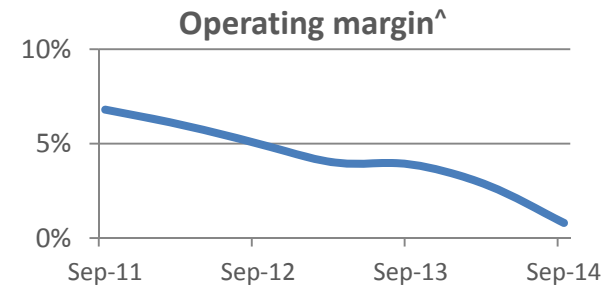
- Significant improvement in performance
- External factors in addition to own actions have been the the drivers
 - Partner on-pitch performance
 - Improvements to stock management, basket conversion, internationalisation
 - Benefit of contract renegotiation
- Trading since period end strong sales up 10.8%*, which includes highly successful Ryder Cup, and well positioned for Christmas
- Strategic review underway – expressions of interest but all options being evaluated, no decisions taken

^ Rolling twelve month operating margin

* 8 weeks since the period end

Kleeneze

£m	HY14	HY13	vs. Prior Year
Sales	17.9	23.6	(23.9)%
Operating profit	(0.4)	0.6	(1.0m)



Sharp decline

- Significant decline in sales during the period
 - New catalogues stock issues early in the year impacted confidence across the network
 - As a result, activity and order levels sharply down
- Distributor base now stabilised at c.7,000
- New catalogue launching in January to address issues in customer proposition, but recovery likely to be gradual
- Contributing to shared fixed overhead
- Current trading remains 24% behind prior year*

^ Rolling twelve month operating margin

* 8 weeks since the period end

Financial Review

Income Statement

Substantial improvement in operating profit

£m	HY14	HY13
Operating profit	6.3	4.5
Interest charges	(4.9)	(4.9)
Profit before tax and exceptional items	1.5	(0.4)
Exceptional items	(23.5)	(2.6)
Profit / (loss) before tax	(22.0)	(3.0)
Taxation	7.6	0.5
Profit / (loss) after tax	(14.4)	(2.5)
Earnings per share (adjusted)	(16.9)p	(2.9)p

Exceptional Items

Pre-impairment
exceptional items
£4.5m

£m	HY14	HY13
PPI redress	0.5	2.0
Contract renegotiation	-	(0.3)
EGL FS redress	2.0	-
Restructuring	0.3	0.8
Historic VAT settlement	(0.8)	-
Pension past service cost	2.4	
Finance costs	0.1	0.1
Continuing operations pre-impairment	4.5	2.6
Intangibles impairment accounting	19.0	-
Continuing operations	23.5	2.6
Discontinued operation	-	0.2
Total	23.5	2.8

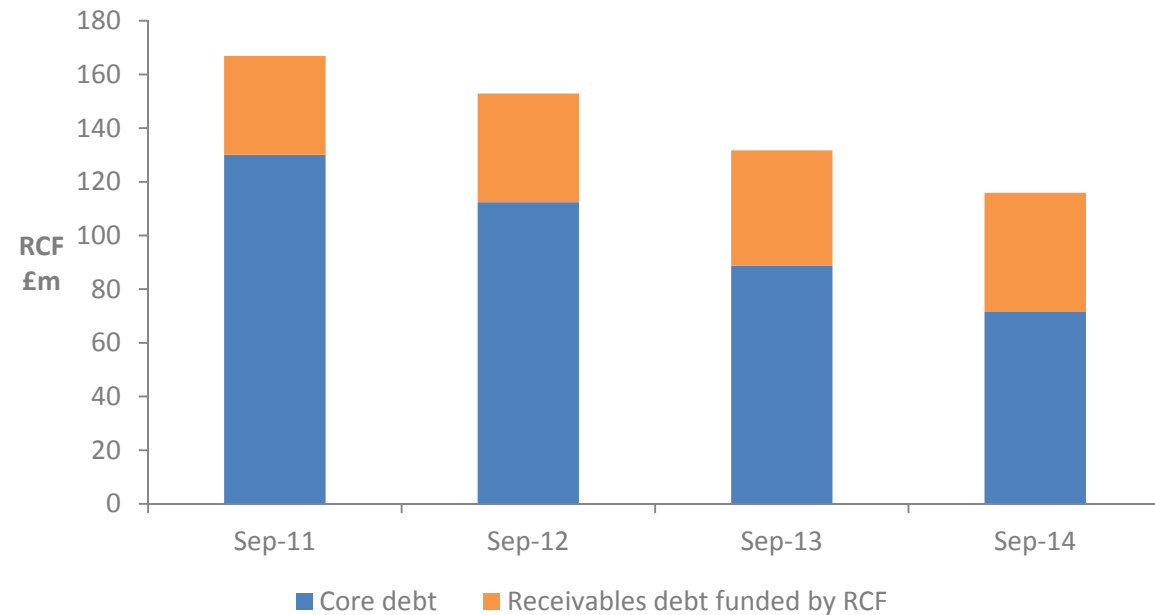
Net Debt

Financial platform strengthened

£m	HY14	HY13	Change
Bank borrowings	146.3	157.2	10.9
Less cash	(30.4)	(25.5)	4.9
Core net bank debt	(115.9)	(131.7)	15.8
Securitisation drawings	(108.7)	(105.0)	(3.7)
Total net debt	224.6	236.7	12.1

Net Debt

Significant multi-year progress on debt position



- Over £50m reduction over three years in net bank debt
 - Faster reduction of core element of this debt
- Sufficient headroom within securitised facility at current limit of £130m with option to increase at appropriate time
- Further deleveraging of net bank debt remains a priority

Progress & Priorities

Findel Today

Good progress
since 2011...

...but more to go
for

PBT*
doubled
over 3 years

Operating
margin
expanded
by 260bps[^]

EGL profit*
grown by
33%

£50m
reduction in
net bank
debt over
3yrs

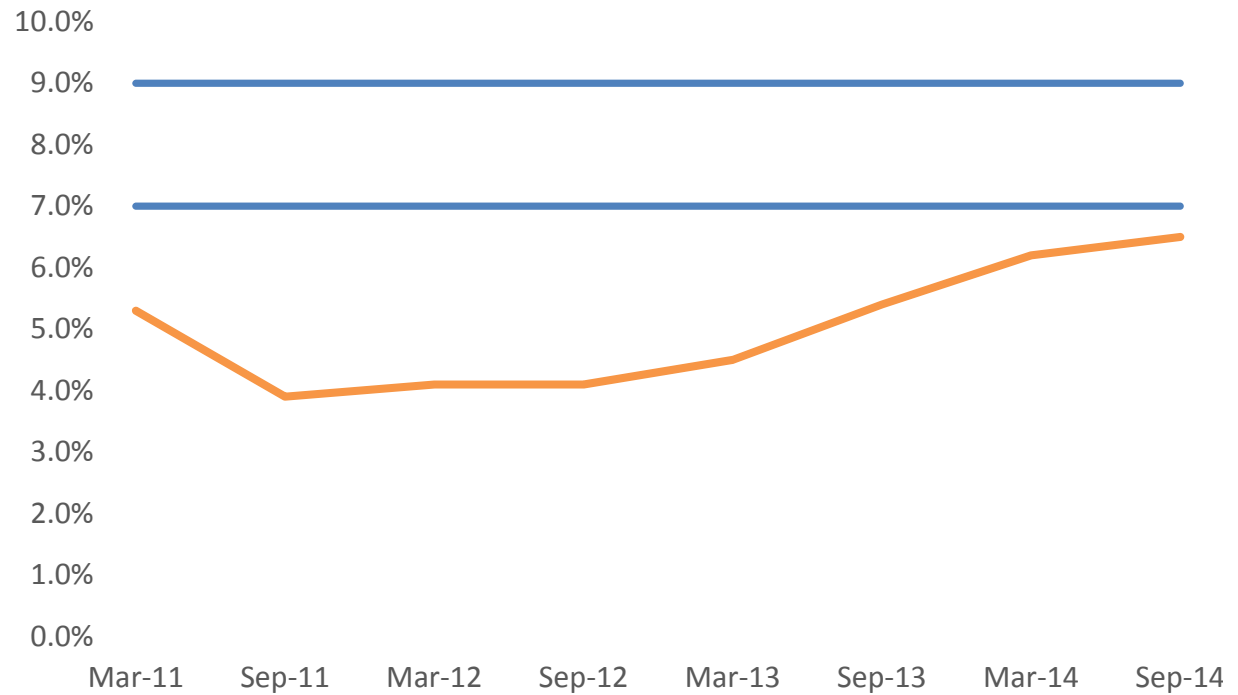
More to go
for

* Y/e March 2011 to Y/e March 2014

[^] y/e March 2011 to H/Y September 2014

Operating Margin Progression

Well on track to enter target margin range in full-year



- On track to hit 7% plus operating margin for the full-year
- Driven by continued growth and improved profitability of Express Gifts
- Opportunity to improve further

Priorities

Opportunities
remain extremely
attractive

Drive EGL Opportunities

- Proven track record, with a significant opportunity to deliver further growth
- Driving increased share of wallet from existing customers
- Improving systems to improve flexibility and ability to offer highly targeted and attractive promotions
- 'Teach-in' for investors December 4th

Priorities

Plans in place for other businesses

Ensure Education is set-up well for next customer cycle

- Broaden offer
- Enhance sales and marketing

Kitbag Review

- Process to identify next stage of development for Kitbag underway
- Range of options

Kleeneze

- Stabilise and address Kleeneze issues

Outlook

- Express Gifts has seen flat total sales in the last 8 weeks*
 - Reflecting a very strong prior-year comparator period and with some differences in catalogue phasing
 - Growth has improved in the second half of this period and this is anticipated to continue through the rest of the Christmas trading period
- Overall Group sales slightly behind prior year*
- For the full-year, driven by continuing strong performance of Express Gifts, on track to deliver very strong profit performance and operating margin in excess of 7%+

* 8 weeks since the period end

Thank-you

EGL teach-in
(4th Dec)

Financial Performance

£m	Revenue			Operating Profit*			Operating Margin		
	HY14	HY13	%	HY14	HY13	£m	12m Sep 14	12m Sep 13	bps
EGL	129.7	121.9	6.3	4.8	3.3	1.5	10.9	9.3	160
Education	60.7	64.1	(5.0)	3.1	3.6	(0.5)	3.4	3.7	(30)
Kitbag	34.0	31.6	7.6	(1.5)	(2.9)	1.4	(3.9)	(6.1)	220
Kleeneze	17.9	23.6	(23.9)	(0.4)	0.6	(1.0)	0.8	2.8	(200)
Major Divisions	242.5	241.2	0.5	6.0	4.6	1.5			
Overseas Sourcing	1.7	2.5	(32.5)	0.3	(0.1)	0.4			
Group	244.1	243.6	0.2	6.3	4.5	1.9	6.5	6.2	30

* Before exceptional items