

Findel

FINDEL FULL YEAR RESULTS

4 June 2014

Agenda

Introduction

Roger Siddle

Financial Review

Tim Kowalski

Business Review

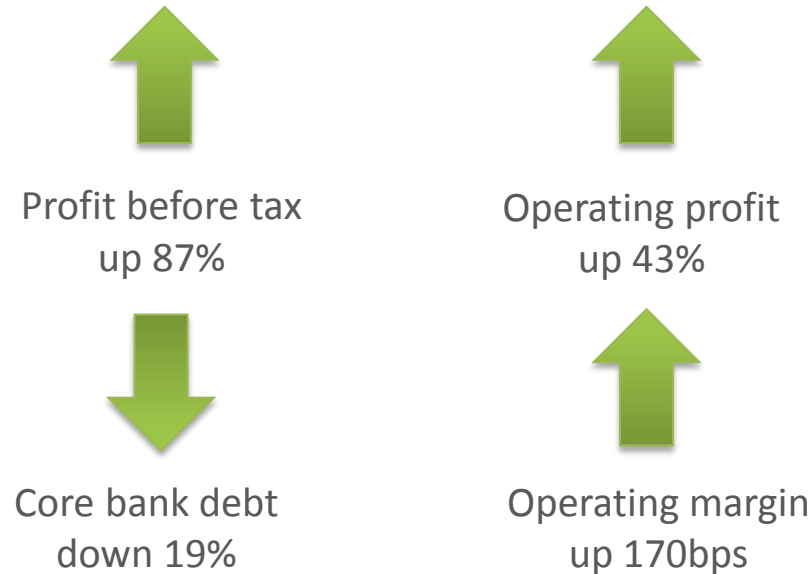
Roger Siddle

Summary

Roger Siddle

Introduction

- A substantial improvement in the financial performance of the Group



- Moving from turnaround to a phase of continued growth and performance improvement
- Focused on delivering further value for shareholders

Significant potential for additional performance improvement

Financial Review

Tim Kowalski

Financial review - overview

- Group revenue £514.7m – 4.8% ahead of prior year
- Operating profit of £31.9m vs. £22.3m in prior year
- Strengthened financial position
 - Core bank debt reduced by £23.0m to £97.2m
 - Increased securitisation facility which is supporting Express Gifts' ongoing growth
 - Gearing reduced from 2.24x to 1.85x
 - Amendment to facilities

Strong performance in 2014

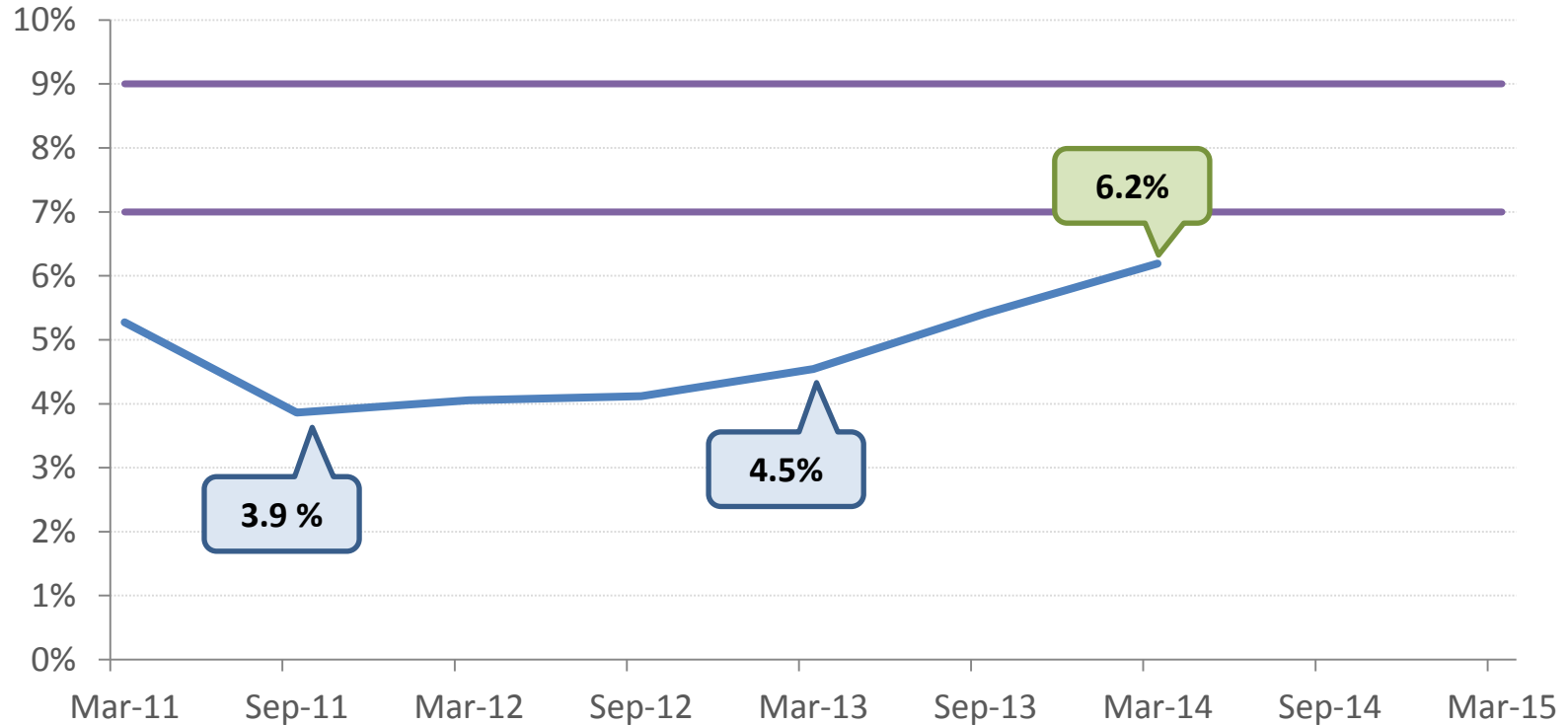
Financial performance

£m	Revenue*			Operating profit*			Operating margin*		
	FY2014	FY2013	%	FY2014	FY2013	Change	FY2014	FY2013	Change
Express Gifts	288.2	262.9	9.6%	30.7	21.8	8.9	10.6%	8.3%	↑2.3%
Findel Education	109.9	103.2	6.5%	4.1	0.8	3.3	3.7%	0.8%	↑2.9%
Kitbag	66.7	70.4	(5.3%)	(4.1)	(1.7)	(2.4)	(6.2%)	(2.4%)	↓3.8%
Kleeneze	46.5	49.2	(5.5%)	1.3	2.0	(0.7)	2.8%	4.0%	↓1.2%
Major divisions	511.3	485.7	5.1%	32.0	22.9	9.1	6.3%	4.6%	↑1.7%
Overseas sourcing	3.4	5.5	(38%)	(0.1)	0.1	(0.1)			
Unallocated central	-	-	-	-	(0.6)	0.6			
Group	514.7	491.2	4.8%	31.9	22.3	9.6	6.2%	4.5%	↑1.7%

Substantial improvement in financial performance

* Before exceptional items and terminated operations

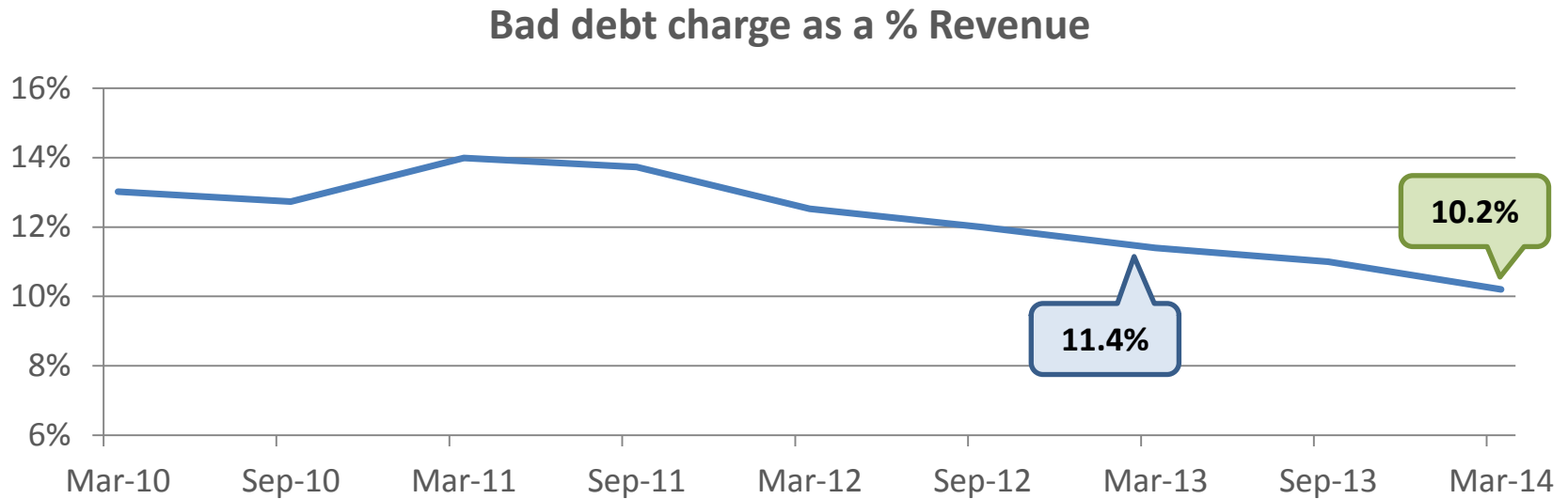
Year-on-year operating margin progression*



On track to enter target range in current year

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

Express Gifts bad debt charge



- Bad debt charge £29.5m or 10.2% of Express Gifts' sales (FY 2013: 11.4%)
- Behavioural credit scoring now fully rolled out, generating benefit of c.£2m p.a.

Behavioural scoring in place and working well

Income statement

£m	Continuing operations	
	FY2014	FY2013
Operating profit*	31.9	22.3
Interest charges*	(9.9)	(10.5)
Profit before tax and exceptional items	22.0	11.8
Exceptional items	(18.7)	(11.3)
Profit before tax	3.3	0.5
Taxation	(2.6)	1.1
Profit after tax	0.7	1.6
Weighted average no. of shares, post consolidation	84.8	84.8
Earnings per share (adjusted)*	19.56p	12.13p
Earnings per share (basic)	0.78p	1.87p

Significant increase in profit before tax

* Before exceptional items and terminated operations

Exceptional items

£m		
	FY2014	FY2013
PPI redress	2.0	4.8
Contract renegotiation	2.8	1.3
Onerous leases	0.8	1.1
Restructuring	2.7	3.8
Finance costs	0.5	0.3
Continuing operations pre-impairment	8.7	11.3
Intangibles impairment accounting	10.0	-
Continuing operations	18.7	11.3
Discontinued operation	0.3	0.2
Total	19.0	11.5

Majority of items have no cash effect

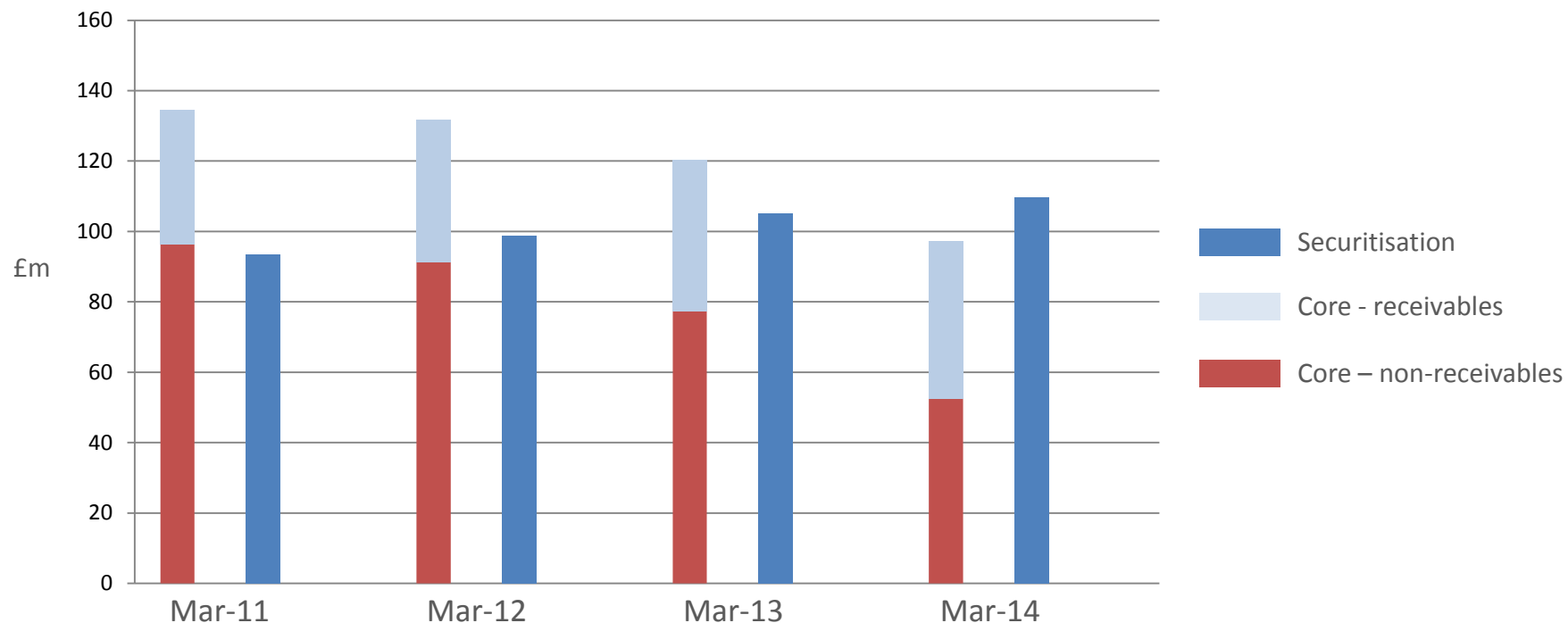
Net debt

£m	FY2014	FY2013	Change
Bank borrowings	121.5	154.2	32.7
Less cash	(24.3)	(34.0)	(9.7)
Core net bank debt	97.2	120.2	23.0
Securitisation drawings	109.7	105.0	(4.7)
Net debt	207.0	225.2	18.2

- Core net bank debt reduced by £23m to £97m
- Securitisation facility increased by £25m to £130m to support Express Gifts' on-going growth
- Recently secured amendments to our core debt facilities including relaxation of the restrictions on payment of dividends from April 2016; albeit current focus remains on paying down debt

Strengthened financial position

Core net bank debt reduction

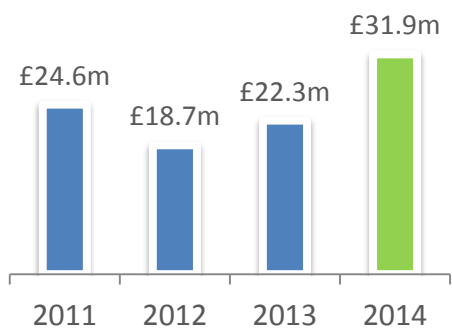


- Core net debt now below £100m at £97m
- Within this, non-receivables element down to £52m

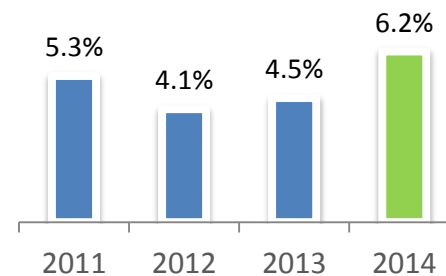
Legacy element of core net debt significantly reduced

Summary

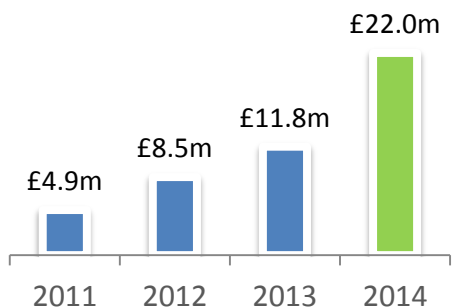
Operating profit



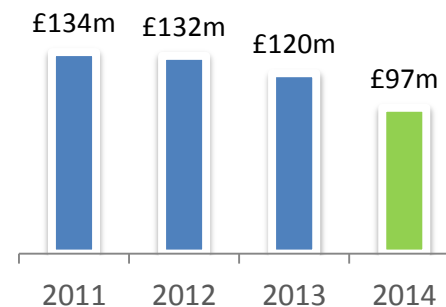
Operating margin



Profit before tax



Core net debt



Improvements in all key metrics

Business Review
Roger Siddle

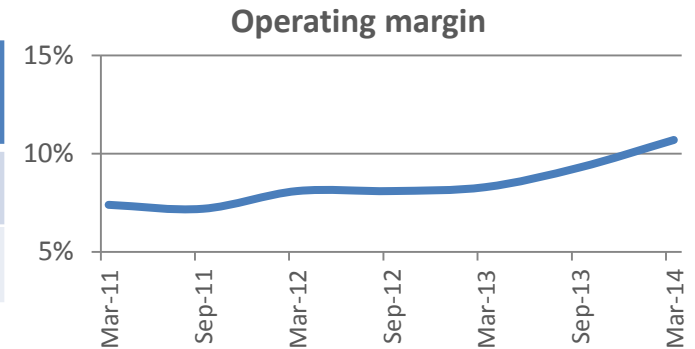
Strategic overview

Express Gifts	Maintain and build upon position as leading discount multi-channel retailer	<ul style="list-style-type: none">• Sustain growth• Enhance proposition• Improve profitability
Findel Education	Re-establish “Best in Class” position	<ul style="list-style-type: none">• Build differentiated service position• Capitalise on anticipated pupil growth• Achieve peer-comparable returns
Kitbag	Turn business around and achieve profitability	<ul style="list-style-type: none">• Eliminate loss-making contracts• Improve trading performance• Continue to add new scale contracts
Kleeneze	Stabilise and return to growth	<ul style="list-style-type: none">• Leverage Express Gifts’ infrastructure and buying capability• Improve training and retention

Maximise value for stakeholders

Express Gifts – performance review

£m	2014	2013	vs. Prior Year
Sales	288.2	262.9	9.6%
Operating profit	30.7	21.8	41%



- Another strong performance; sales, profits and customer numbers
- All driven by a continued focus on improving range and value
- Increased focus on sourcing product directly; 12% of EGL purchases sourced through FASL*, up from 8% in prior year
- Balancing sales growth with significant improvement in product gross margins

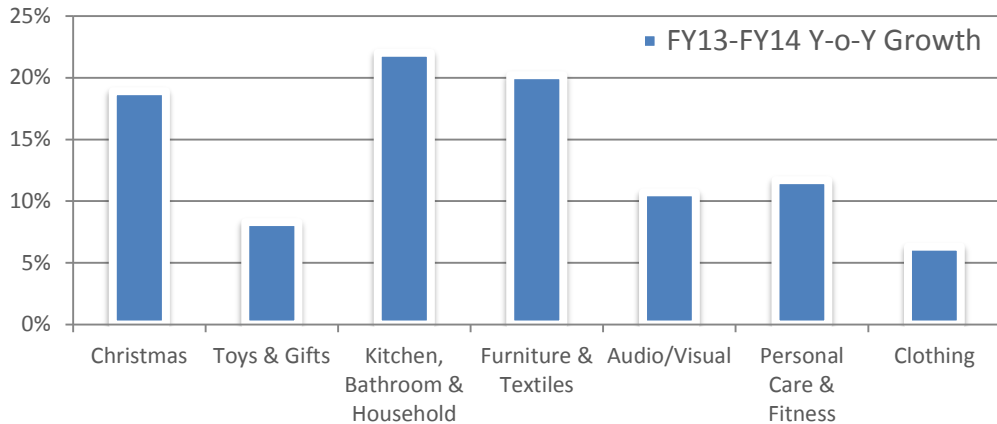
Continued momentum

Express Gifts – overview

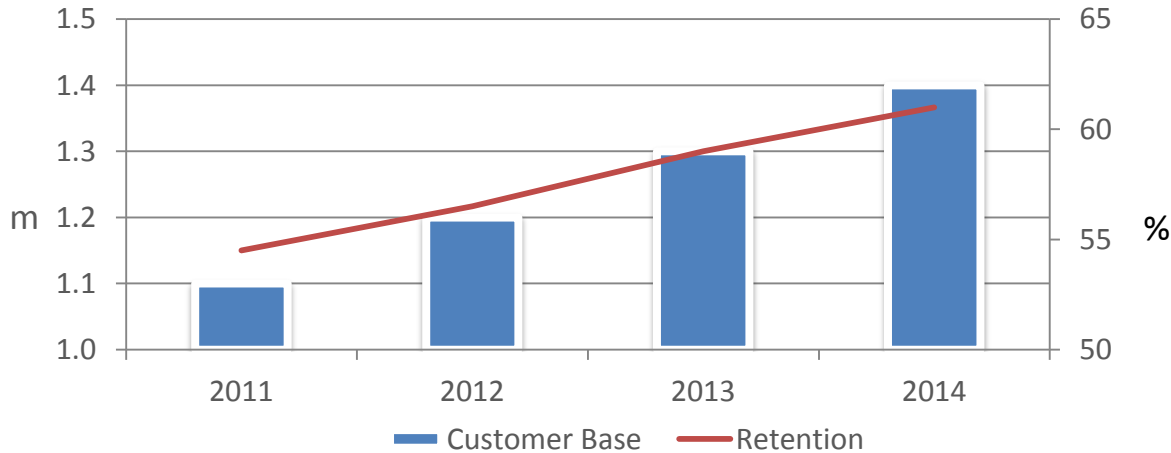
- Credit-based discount home-shopper: one of the largest direct mail order businesses in the UK
 - More than 30% of product priced under £10
 - Approximately 50% of customers choose to take credit
- Broad product range, including a number of exclusives, including an own-brand clothing range
 - Comprehensive in-house personalisation facilities, used in 40% of orders
- Multichannel: 52% of sales online with mobile 8% and tablet 10% of sales

Strong competitive position

Express Gifts – growth



Growth across all major categories



Consistent growth in customer base combined with strong retention

Broad-based growth

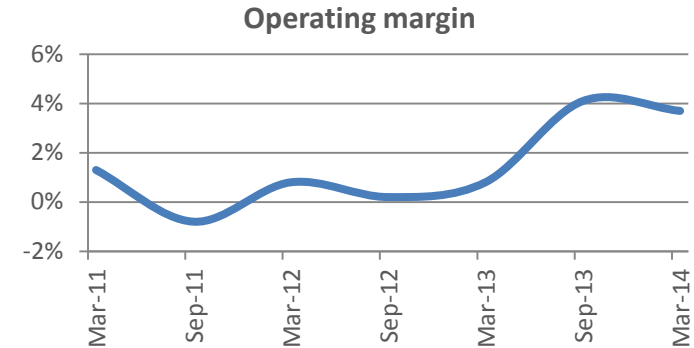
Express Gifts – next steps

- Continued growth
 - Give customer more of what they want
 - Increase customer numbers
 - Increase share of wallet
- Supported by new systems; including
 - Increased number of online only products
 - Personalised web content and offers
 - Improved delivery options

Further growth to come

Findel Education

£m	2014	2013	vs. Prior Year
Sales	109.9	103.2	6.5%
Operating profits	4.1	0.8	+£3.3m

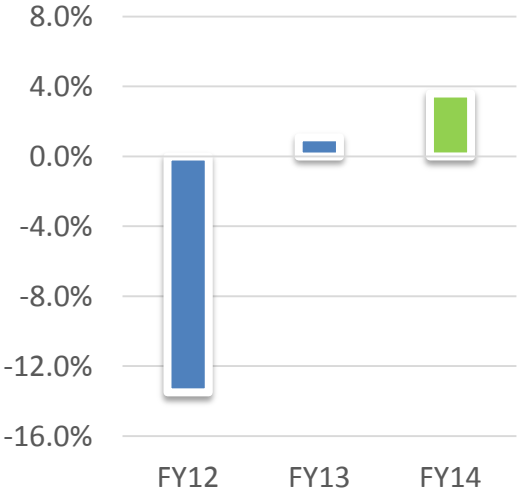


- Growth in revenues and profits after a number of years of decline
- Improvement has been delivered across all areas
 - UK brands growing at 3.6%
 - International export business growing at 17%
 - Excellent service levels highlighted by awards and new contracts
- H2 trading more challenging; number of uncertainties impacting budgets and buying patterns

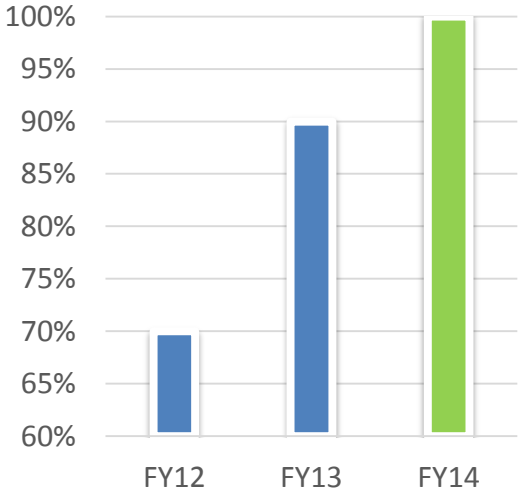
Significant improvement

Findel Education

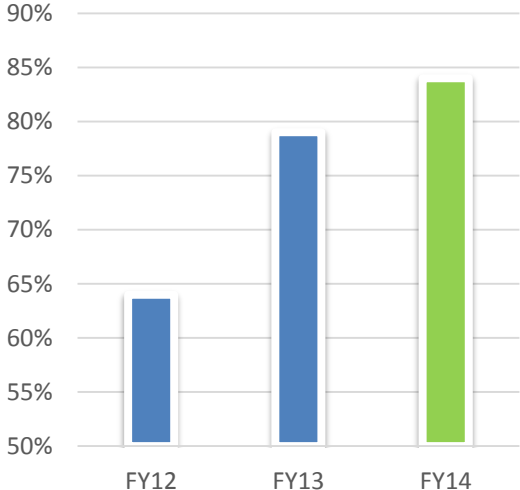
UK Brands revenue growth



% of schools covered



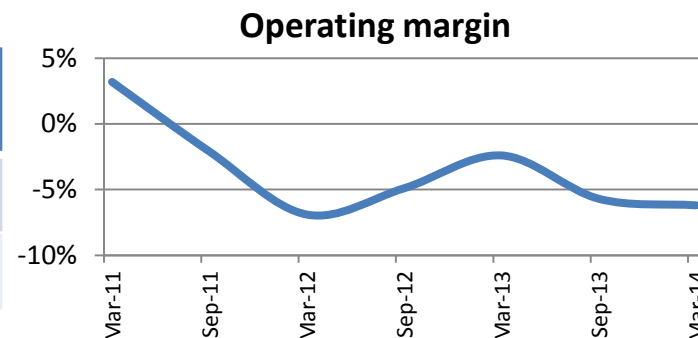
Net promoter score



A stronger platform, but more to do

Kitbag

£m	2014	2013	vs. Prior Year
Sales	66.7	70.4	(5.2%)
Operating profits	(4.1)	(1.7)	(2.4)

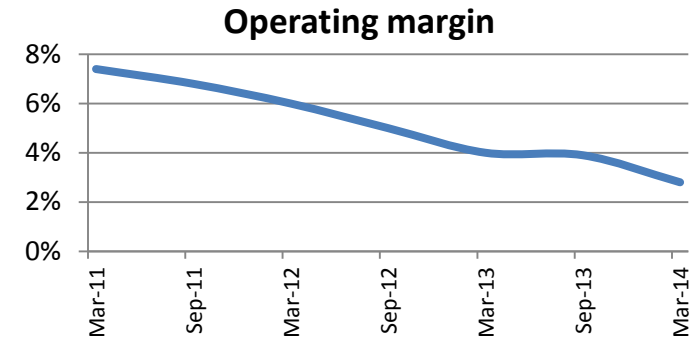


- Challenging performance; H2 showed improvement on H1, but still down year on year
 - Significant fall in traffic for number of partners whose sporting performance failed to match prior years
 - Operational issues related to the introduction of new payments systems
- However, grounds for improved performance in FY15
 - New and renewed contracts plus major sporting events this summer
 - Agreement reached on the renegotiation or termination of three major unprofitable contracts; benefits in the current and future years, although a provision has been taken to cover transitional and exit arrangements

Grounds for confidence in improvement

Kleeneze

	2014	2013	vs. Prior Year
Sales	46.5	49.2	(5.5%)
Operating profits	1.3	2.0	(0.7)



- Deteriorating performance; although remains profitable
 - Efforts to improve the range had a good effect on sales per ordering distributor [+10%]
 - Benefit more than offset by continued strong decline in distributor numbers
- Action taken to address this
 - New incentive pilot scheme for distributors introduced in March
 - Improved order management process to address recent stock issues

Remains profitable with attractive cash generation characteristics

Summary

- Current year performance in line with expectations
- On track to achieve medium-term target of growing Group operating margin to 7-9% from current level of 6.2%
- Significant potential for additional performance improvement to deliver further value for our stakeholders

Focus on continued growth and performance improvement

Thank you