

# PORTMEIRION GROUP PLC

FY 2019 Results Presentation



# Full Year 2019 Results

Global Brands      Timeless Design



PORTMEIRION®

Spode®

WAX LYRICAL  
ENGLAND

ROYAL WORCESTER®  
ESTABLISHED 1751

pimpernel.

nambe®  
DESIGN YOUR LIFE®

# Agenda

Mike Raybould  
Chief Executive Officer

David Sproston  
Group Finance Director

- Group Overview
- FY 2019
- Korea Update
- Nambé Acquisition Update
- Wax Lyrical Update
- Strategic Focus Areas
- Summary



# Global Brands Timeless Design

- Strong brands, diversified across 72 markets with over seven hundred years of history

PORTMEIRION®

Spode®

ROYAL  
WORCESTER®  
ESTABLISHED 1751

pimpernel.

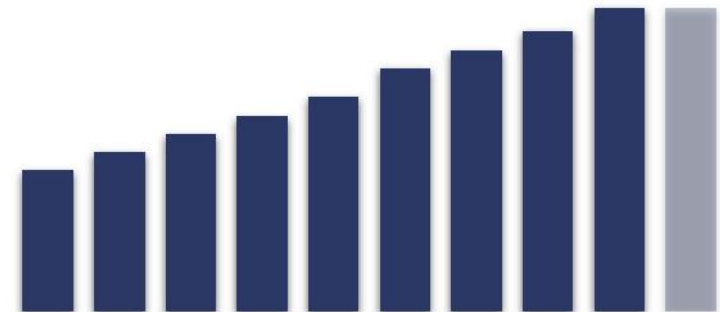
WAX LYRICAL  
ENGLAND

nambe®  
DESIGN YOUR LIFE®

- Consistent track record of growth
  - 11 consecutive years of sales growth



- Progressive dividend
  - Final dividend decision deferred 3 months due to ongoing Covid-19 outbreak
  - Intention to pay final dividend of 29.50p which is in line with 2018 final



- Strong PBT record



# Our Business Model



Our key assets are:

- Global brands, product with timeless design
- Established global sales channels
- In-house UK factories with capacity for growth
- Strong balance sheet



Our aim is to leverage these assets to drive profitable sales growth:

- New product lines
- Brand extensions
- ROW market development
- Focused M&A

# Full Year 2019 Headlines

## Financial performance

- Full year results in line with market expectations
- Group revenue increased by 3.6% to £92.8 million (2018: £89.6 million)
- Headline profit before tax is £7.4 million (2018: £9.7 million)
- Final dividend delayed 3 months due to Covid-19 virus. Intent is to declare an additional interim dividend in line with FY2018

## Sales markets

- Key markets – growth in UK, USA and South Korea
- Strong growth in online sales in core UK and USA markets of 17%
- Rest of the world sales down due to reduced Botanic Garden sales to protect South Korean market from excessive parallel shipping

## Products and branding

- New premium product developed for Korean market (Botanic Garden variants)
- Extensions to gifting ranges such as Wrendale and Sara Miller
- Exciting new exclusive collections for Spode 250<sup>th</sup> anniversary

## Nambé LLC

- Acquired for \$12 million in July 2019
- Premium branded homewares business with opportunities for sales growth and synergies
- Strong progress on integration into our existing US business

## People

- Lawrence Bryan, CEO, retired Sept 2019
- Appointments of Mike Raybould, CEO and David Sproston, Group FD
- Improved capabilities : Digital/Online, Export sales, Product design

# FY 2019 Financial Performance

	2019 £m	2018 £m	Change
Revenue	92.8	89.6	3.6%
Like-for-like revenue	85.0	89.6	-5.1%
Operating profit*	7.8	9.9	-21.0%
Operating profit margin*	8.4%	11.1%	-2.7%
Profit before tax*	7.4	9.7	-23.7%
Pre-tax profit margin*	8.0%	10.8%	-2.8%
Basic earnings per share*	56.32p	72.12p	-21.9%
Diluted earnings per share*	56.24p	71.90p	-21.8%
Dividends	8.00p	37.50p	
Net (debt)/cash	-12.3	2.3	



\*all headline figures which exclude exceptional items

- Sales growth of 3.6% including benefit of Nambé sales
- Reduced operating margin due to short term Korea market impact
- Final dividend decision deferred 3 months due to uncertain impact of Covid 19 outbreak; intention for it to be maintained at 37.50p
- Net debt of £12.3 million, £14.4 million of unused borrowing

# Strong Balance Sheet – Net Assets flat at £48m

	Dec-19 £m	Dec-18 £m	Change
<b>Total non-current assets</b>	<b>35.1</b>	<b>25.1</b>	<b>39.8%</b>
Inventory	26.6	19.2	38.5%
Trade & other receivables	19.5	15.6	25.0%
Cash	1.2	7.2	-83.3%
<b>Total current assets</b>	<b>47.3</b>	<b>42.0</b>	<b>12.6%</b>
Trade & other payables	-20.4	-13.5	51.1%
Borrowings	-13.5	-4.9	175.5%
Pension scheme deficit	-0.4	-	100.0%
<b>Net assets</b>	<b>48.1</b>	<b>48.7</b>	<b>-1.2%</b>
Share Capital	0.6	0.6	0.0%
Share premium	7.3	7.3	0.0%
Investment in own shares	-3.1	-3.2	-3.1%
Retained earnings	41.7	41.0	1.7%
Other reserves	1.6	3.0	-46.7%
<b>Total equity</b>	<b>48.1</b>	<b>48.7</b>	<b>-1.2%</b>

- Retained earnings increased by £0.7m
- Cash decrease due to acquisition of Nambé
- Inventory growth driven by Nambé acquisition and wider product ranges
- Trade receivables growth due to customer mix
- IFRS pension deficit maintained at minimal level



# Sales analysis by market



Sales by Country	2019 £m	2018 £m	Change
US	32.5	26.7	21.8%
UK	32.6	31.5	3.5%
South Korea	11.4	8.2	38.7%
Rest of World	16.3	23.2	-29.6%
<b>TOTAL</b>	<b>92.8</b>	<b>89.6</b>	<b>3.6%</b>

- Strong growth in core UK, USA and South Korea markets
- ROW markets reduced due to control of parallel shipping of Botanic Garden into South Korea



# Korea market update

## Recap of Issue

- Identified Q1 2019 over-supply Botanic Garden (BG) grey shipped into Korea
- Overstocks in market – risks long term adverse impact on brand

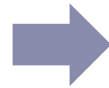
### 2019 Action, Progress & Impact

- Reduced BG sales to ROW markets to reduce grey shipping
- Created new ranges for Korean distributor
- Started to diversify routes to market / brands within Korea

#### Impact

- YOY sales reduction in ROW
- Lower margins due to mix change of new product in factory
- Took up most of NPD capability

Good progress made but hurt 2019 P&L



### 2020-21 Follow Through & Transition

#### Discipline

- Reduced ROW BG sales to potential grey ship markets
- New tighter processes Korean distributor
- Hired in market sales manager (March 1st)

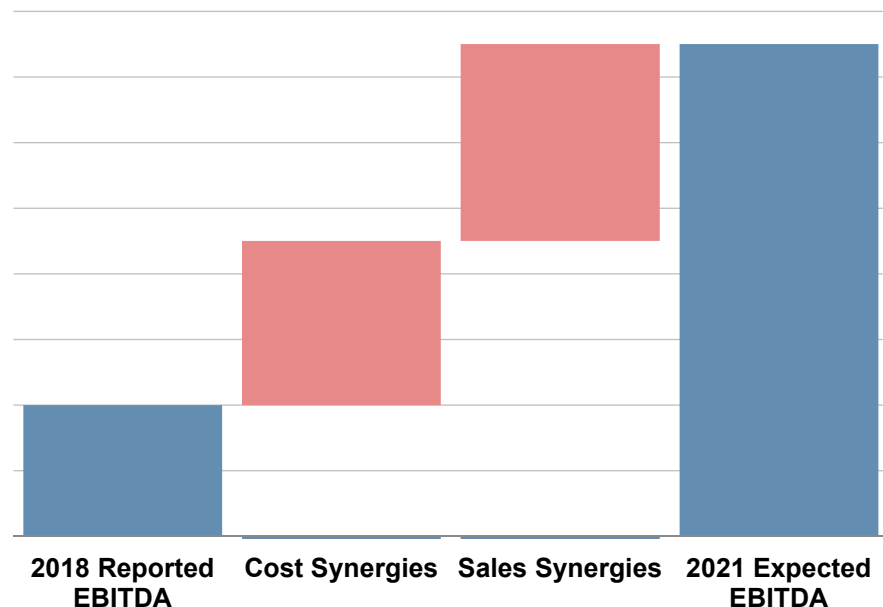
#### Diversification

- New routes to market eg RW brand supplied to large Korean retailer
- New product ranges

#### Distributor de-stocking

- Distributor needs to take advantage of reduced parallel shipping up to increase sales and reduce their over stocks

# Nambé Acquisition July 2019 : Update



## Recap : Acquisition Case

- \$12m cost price funded by 5 yr loan
- Adds scale to key US market
- Design & sourcing synergies
- Anticipate cost synergies £0.5m pa from 2020
- Anticipate sales synergies:
  - US/Canada, UK, ROW, product, retail stores

## Update on Progress : Q1 2020

- Cost synergies on track
- US businesses integration completed-> 1 team
- Sales synergies progressing well
- Leveraging design & sourcing capabilities for 2021 range launches
- Strong team



# Wax Lyrical division poised for growth in 2020

## Challenging Q4 meant FY sales flat

- Exposure to UK Grocery channel tough end of year trading
- Didn't repeat end of season clearance
- Slower traction in new European markets

## Progress elsewhere lays foundation for strong growth in 2020

- State of the art new labs built Q4 2019-> increase NPD capacity
- Huge upgrade in brand, packaging, product for all major ranges rebrand - launch Q1 2020
- New Wrendale/Sophie Conran ranges launch Q2/Q3 2020
- New export distributors agreed Q1 2020 – China, Taiwan, Portugal, Greece.
- New USA agents in place Q1 2020
- New website launched March 2020



# COVID-19 Update (March 24<sup>th</sup>)

- Strong balance sheet with extensive bank facilities and headroom
- Action taken to add further headroom as prudent contingency, including:
  - Dividend decision delay
  - Significant capex spend reduction through 2020
  - All non essential spend cut back in short term
  - Government grants & relief per announcements
- Far East supply chains already back and working
- Wax Lyrical factory converted to hand sanitiser production
- Expect some short term UK / US sales market disruption
- Export market demand and order book remain strong
- Online sales channels remain strong ( 30% of UK/US sales are online)
- Continue to progress key strategic initiatives via remote working

Will update market when more clarity on impact and duration of government safe-distancing rules.



# Strategy Update

PORTMEIRION GROUP PLC

# Group Strategy Update

- Organisation changes Sept 19 provided opportunity to review current strategy
- Our goals are to :
  - Deliver consistent top line sales growth
  - Improve our operating margins and hence profit generation
  - Continue to take our social and environmental responsibilities seriously whilst rewarding our shareholders.
- Exec team developed updated strategy which was agreed by Board Nov 19.



# Executing Our Strategy

In the last 6 months:

- We have expanded teams / improved capabilities in key areas:
  - Product development teams UK / US
  - Online & digital marketing teams
  - Export sales teams
  - We have hired a Korean market sales manager
- We have reset our account management team and processes for our Korean distributor
- We have launched focused product development work to:
  - Drive growth in brands such as Spode, Royal Worcester
  - Provide more giftware
  - Leverage the new categories we have recently acquired with the Nambe / Wax Lyrical acquisitions



# Group Strategy : 6 key areas of focus

Focused Brand & Product development

Digital & Online Transformation

Stabilise Korean market

Leverage Wax Lyrical and Nambe opportunities

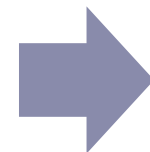
Targeted ROW Export growth

Operating & Procurement Efficiency and Capabilities

- Fully leverage our iconic brands and product development engine to drive sales growth
- Accelerate our online transformation and the growth opportunities therein
- Eliminate short term trading shocks from our Korea market whilst protecting our brands there long term
- Leverage our Wax Lyrical and Nambe acquisitions - new product categories and ROW market expansion
- More targeted focus on key ROW growth opportunities
- Get more efficient and agile : in our factories, our processes and how we work across our global teams



Stronger  
Sales  
Growth



Improved  
Operating  
margins



# Group Strategy : 2020 View

Focused Brand & Product development

Digital & Online Transformation

Stabilise Korean market

Leverage Wax Lyrical and Nambe opportunities

Targeted ROW Export growth

Operating & Procurement Efficiency and Capabilities

- Strong product pipeline 2020/21 – gifting, Spode, Sophie Conran
- Marketing investment 2020 behind Spode 250th
- Enhanced digital assets through 2020 all online channels
- Re platforms in US (July 20), Nambe.co.uk (May 20)
- Discipline and control Botanic Garden export markets
- Build and grow diversified routes to market and brands.
- Wax Lyrical – key product launches H1 2020; new ROW distributors
- Nambe UK/ROW roll out ; complementary new materials
- New Far East distributors, Middle East growth
- Factory efficiency schemes underway
- Procurement project savings realised from 2021



Stronger  
Sales  
Growth



Improved  
Operating  
margins

# Product Pipeline : Key Driver Of Our Sales Engine

	2020	2021
Portmeirion	Sophie Conran Glazed	New Sophie Conran Kitchen Range Botanic Garden Harmony extensions
Spode	250 <sup>th</sup> ranges 250 <sup>th</sup> gift sets/Ltd ed runs Christmas Tree extensions	Contemporary Shape  Christmas Tree extensions
Royal W	Wrendale seasonal extensions	New Designer range
Wax Lyrical	Rebranded key ranges New Wrendale New S Conran	Gift sets ceramic & candle Seasonal occasion gift sets
Nambe	Steel & leather Barware Alloy pet line	Wood & brass collection Ebony wood collection

(A highlight of some of our key product development programmes)

**We have a new focus on NPD; fresh team and a strong 2 year pipeline**

# Summary

Tough result in 2019 due to S Korea issues masked progress elsewhere

- Huge focus through 2020 to build on work done in 2019
- Discipline & Diversify (products, brands and routes to market)

Strategy - Increased focus and investment behind :

- New product pipeline and gifting formats
- Brands, in particular digital space
- Continued online transformation
- Drive benefits from WL and Nambe acquisition

Work done (and continues) to improve people & capabilities in key areas

Dividend decision delayed due to unprecedented Covid-19 outbreak

# Management Team



**Mike Raybould**  
Chief  
Executive  
Officer



**Phil Atherton**  
Group Sales &  
Marketing  
Director



**Mick Knapper**  
Operations  
Director



**David Sproston**  
Group  
Finance  
Director



**Dick Steele**  
Non-executive  
Chairman



**Janis Kong**  
Non-executive  
Director



**Andrew Andrea**  
Non-executive  
Director



**Angela Luger**  
Non-executive  
Director



**Lawrence Bryan**  
Non-executive  
Director

# Contact



## Mike Raybould

Chief Executive Officer

**Email:** mraybould@portmeiriongroup.com

**Direct Tel:** 01782 744721

**Mobile Tel:** 07808 730288

## David Sproston

Group Finance Director

**Email:** dsproston@portmeiriongroup.com

**Direct Tel:** 01782 744721

**Mobile Tel:** 07719 545507

## Hudson Sandler: Dan de Belder

**Email:** ddebelder@hudsonsandler.com

**Direct Tel:** 0207 796 4133

## [www.portmeiriongroup.com](http://www.portmeiriongroup.com)

Portmeirion, Spode, Royal Worcester, Pimpernel, Nambé and Wax Lyrical are registered trade marks of Portmeirion Group



PORTMEIRION®

Spode.

WAX LYRICAL  
ENGLAND

ROYAL  
WORCESTER®  
ESTABLISHED 1751

pimpernel.

nambé®  
DESIGN YOUR LIFE®