

PORTMEIRION GROUP

2019 Interim Results Presentation



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Spode.

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ENGLAND

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Agenda

Lawrence Bryan
CEO

Mike Raybould
Group Finance Director

- Group Overview
- H1 2019 Highlights
 - Sales Update
 - Financial Review
 - Korea/ Export Challenges & Resolution
- Nambé Acquisition
- Forward Growth Strategy



A Leading Global Homewares Group

- Strong brands, diversified across 72 markets with hundreds of years of history :

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Spode®

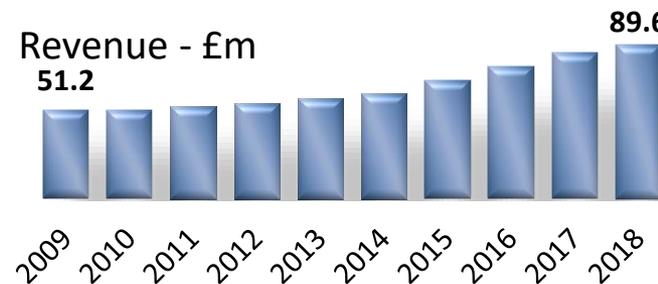
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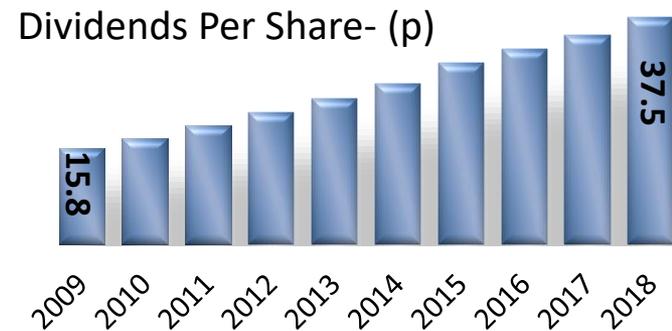
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- **Consistent track record of growth**
 - 10 consecutive years of record sales



- **Progressive dividend**



- **Strong PBT record**



Our Business Model



Our key assets are:

- Strong brands known with global appeal
- 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

H1 2019 Highlights

Financial performance

- Revenue £34.9m (2018 £36.9m)
- PBT £0.5m (2018 £2.1m)
- Interim dividend maintained at 2018 levels

Sales markets

- Growth in UK + 9% and positive signs for FY growth in US
- Short term reduction in ROW sales to protect brand in Korea long term
- Own online sales grew 13%

Products

- New product development accelerated for Korea (Botanic Garden variants)
- Extensions to gifting ranges such as Wrendale and Sara Miller
- Product under development to celebrate Spode 2020 “250 year” anniversary

Home Fragrance

- Sales level due to large new account pipefill in H1 2018
- Excluding this one account, sales growth 16% continuing 2018 momentum
- Strong new product developed to push for ROW market expansion

People

- Strong Nambé management team added July 19 - integration underway
- Product development and digital marketing resources being expanded

H1 2019 Financial Performance

	H1 2019	H1 2018	Change	FY 2018
	£m	£m		£m
Revenue	34.9	36.9	-5.4%	89.6
Headline* profit before tax	0.5	2.1	-74.8%	9.7
Headline* profit before tax margin	1.5%	5.6%	-4.1%	10.8%
Headline* EPS	3.96p	15.24p	-11.28p	72.12p
Dividends	8.00p	8.00p	-	37.5
Net debt	-5.8	-1.3	-4.5	2.3

*Headline profit and EPS excludes exceptional items, being acquisition costs.

- Sales reduction 5.4% in seasonal smaller first half drives profit reduction
- Exceptional items are £0.4m costs relating to Nambé acquisition which closed July 19
- Interim dividend maintained at 2018 levels
- Net debt higher due to ROW sales shortfalls and inventory build for key seasonal second half

Balance Sheet

	Jun-19 £m	Jun-18 £m	Change
Non-current assets	25.5	25.9	-1.5%
Lease assets	4.8	0.0	-
Inventory	24.2	21.0	15.2%
Trade & other receivables	12.9	9.0	43.3%
Cash	2.2	4.7	-53.2%
Total current assets	39.3	60.6	-35.1%
Trade & other payables	-11.9	-36.8	-67.7%
Borrowings	-8.0	-6.0	33.3%
Pension scheme asset/(deficit)	0.6	-1.1	-154.5%
Lease liabilities	-4.8	0.0	-
Net assets	45.5	42.6	6.8%
Share Capital	0.6	0.6	0.0%
Share premium	7.3	7.3	0.0%
Investment in own shares	-3.2	-3.1	3.2%
Retained earnings	38.0	35.4	7.3%
Other reserves	2.8	2.4	16.7%
Total equity	45.5	42.6	6.8%

- Net assets grew £2.9m
- Net debt increased £4.5m
 - Trade receivables increase due to mix change incl. ROW/Korea
 - Inventory build timing for H2 seasonal sales
- IFRS 16 lease accounting adopted



Sales analysis by market



Sales by Country	2019 £m	2018 £m	Change
UK	13.5	12.4	9.2%
US	8.5	8.3	2.1%
South Korea	3.9	2.8	24.6%
Taiwan	1.6	3.6	-54.8%
Europe	3.0	4.8	-38%
Rest of World	4.4	5.0	-12.5%
TOTAL	34.9	36.9	-5.4%

- On plan in core UK, US markets
- UK good growth; US aided by foreign exchange
- Other export markets down and not covered by increase in Korean direct business as manage grey shippers

Korea / ROW export first half challenge

The Issue

- Informed by Korean distributors too much grey ship (mid market)
- Agreed to reduce trade with potential grey shippers to protect long term brand in Korea
- In return, Korean distributor should pick up business
- Timing causes issue for H1 2019 sales
- And the need to develop new product for Korean distributor to increase orders for H2.
- New product has lower margins in year 1 due to development process

Korea / ROW export first half challenge

Work Already Done to Resolve Issue:

Grey Ship

- Investigated issues and reduced trade where possible

New Product Diversification

- Developed 'Botanic Garden Embossed' in 2 months
- Developing 'Variations' premium BG extensions

Channel / Customer Diversification

- Opened account (July 19) with major Korean retail group to sell Royal Worcester brand to mid market
- New group has extensive mass and mid market retail operations

Work still to do

- Improve efficiency of production of new ranges for 2020
- Finalise orders with new Korean group and build new relationship
- Complete development of 'Variations' extensions
- Agree Q4 orders with Korean distributor
- Ongoing management of Korean market and product requirements

Good progress since May still a lot to do to secure expected H2 sales



Sales analysis by market – home fragrance only



Home Fragrance	2019 £m	2018 £m	Change
UK	5.1	5.1	-
US	0.1	-	-
Rest of world	1.1	1.1	-
TOTAL	6.3	6.2	1%

- H1 sales up 16% (excl. 2018 new large account)
- Brand refresh done for H2 launches
- European expansion slower than expected but ground work done; expecting stronger H2
- Significant progress on new distributor relationships outside UK for H1
- New labs completed July 19
- Expect double digit H2 growth with stock built and in place
- Pleased with division's performance and progress.

Nambé Acquisition - July 2019

Rationale

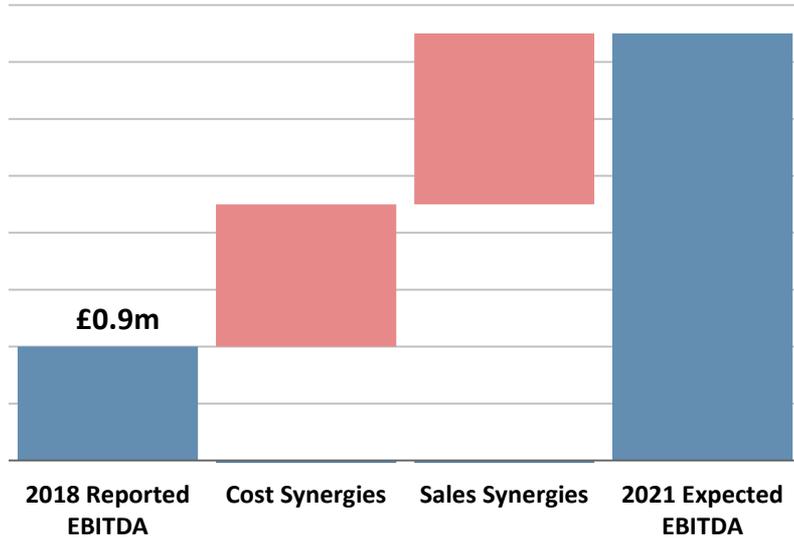
- Premium US homewares brand
- Provides additional scale to key US market
- Earnings enhancing first full year
- Product diversification
- Strong management team retained
- Significant sales & cost synergies from 2020
- Portmeirion has the established global infrastructure to grow brand

Price & Funding

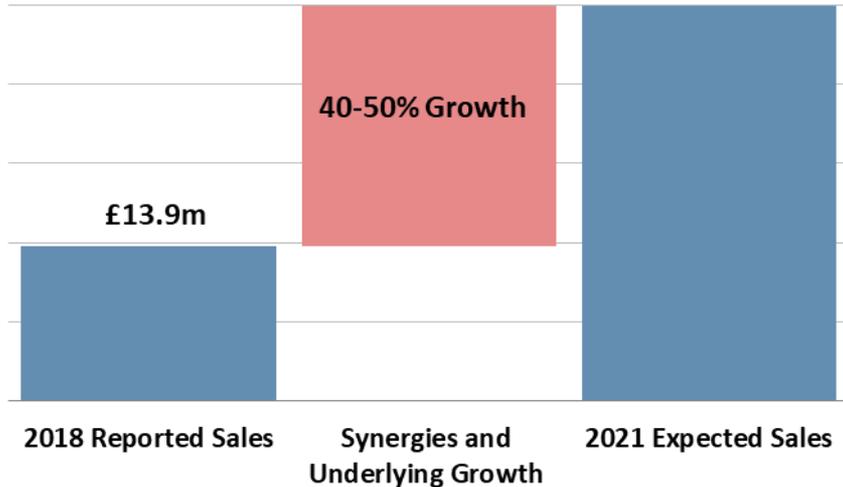
- \$12m paid includes \$1.2M real estate previously leased
- Net Assets \$9.6m
- Funded by £10m Lloyds loan repayable over 5 yrs.
- 2018 Sales \$18m, EBITDA \$1.1m



Nambé Roadmap : First 2 years



- Anticipate cost synergies £0.5m pa from 2020
- Anticipate sales synergies:
 - US/Canada, UK, ROW, product, retail stores
- Integrate sales and back office team
- Expect 40-50% sales growth/synergies by 2021



5 Year Forward Growth Plan

Core Markets/ Ranges

- Drive sales growth through new product & brands



Focus on specific opportunities :

- Build significant online sales channel
- Build global Home Fragrance division
- Maximise key Spode brand
- Grow Operating margin %
- Targeted M&A that accelerates our strategy



5 Year Forward Growth Plan

Online Sales

Target: increase from underweight 4.1% of sales (2017) to 10% + within 5 yrs.

- New improved ecommerce sites around the world
- Quadruple direct customer database to 250k
- Leverage 'lifetime' direct sales opportunity
- Introduce product personalisation
- Backed by strong customer service promise and execution



Update

- +13% growth in H1 2019
- UK new sites launched Q1 2019
- 2 Digital marketing heads join Q3
- New improved digital content starts Q3
- Personalised product trial live in UK July
- Customer list up 55% vs June 18
- Expanding warehouse direct fulfilment capacity for anticipated Q4 2019 growth

5 Year Forward Growth Plan

Maximise Home Fragrance division potential (acquired 2016)

Target: Double division sales within 5 yrs.

- Move from UK centric to global sales division
- Refine and develop brands
- More focus on product innovation and packaging
- Develop ecommerce platform including personalisation / subscription model



Update

- H1 level (excl. 2018 account win: +16%)
- Slower start from new France sales office (Jan 19) but expect better H2
- New branding completed for H2 launches
- Signed up new export distributors
- Working on US market relaunch 2020

5 Year Forward Growth Plan

'Spode' Brand : Maximise potential

Target: Double brand sales within 5 yrs.

- Currently £15.1m sales globally
- Develop brand through online, social media and influencers
- Investigate brand partnerships/licensing to extend brand reach
- New product development including contemporary ranges



Update

- Spode + 15% (excl. seasonal Christmas Tree)
- Well advanced on brand marketing plan for 250th anniversary in 2020
- New product launches
- New brand partnerships

5 Year Forward Growth Plan

Operating Margin % Growth

Target: increase from 10.7% (2017) to 13% by 2022

- Higher margin direct online and ROW export business
- Leverage in-house factories with higher volume throughput
- Invest capex in factory automation and warehouse efficiency



Progress

- 40 bps increase in 2018 to 11.1%
- Export/Korea market disruption will impact 2019 margins in short term
- Focus remains on long term goals: growth, innovation, capital efficiency projects in UK factories

5 Year Forward Growth Plan

Objectives & Criteria for M&A Targets

Accelerate progress against **strategic and financial goals of the Group:**

- Acquire new sales markets
- Bolt on and expand direct to consumer sales
- Transfer any ceramic production into our factory to maximise efficiency

And meet **financial criteria:**

- Accelerate growth of top and bottom line numbers faster than organic growth
- Enhance EPS and Gross margins

Track record of successful M&A includes: Spode, Royal Worcester, Pimpernel, Wax Lyrical



Nambé (July 2019)

- ✓ **Regional, South West USA sales**
- ✓ **Only 2% sales currently outside USA.**
- ✓ **42% of sales are own direct to consumer**
- ✓ **Limited ceramic sales however cost synergies with current US business**
- ✓ **Comes with strong management team**

- ✓ **Earnings enhancing in first full year**

Summary

- Challenging H1 2019 in export markets after strong 2018 growth
- Other areas performing as expected
- Extensive focus on rectifying short term market issues in Korea/export. Much still to do in H2 to secure expected Korea / export sales and stability going forward
- Nambé acquisition gives exciting additional US scale and short & long term sales synergies
- New product / range pipeline healthy with strong interest from customers
- Committed to 2019 current market expectations



Management Team



Lawrence Bryan
Group Chief
Executive Officer



Phil Atherton
Group Sales &
Marketing
Director



Mick Knapper
Operations
Director



Mike Raybould
Group
Finance
Director



Dick Steele
Non-executive
Chairman



Janis Kong
Non-executive
Director



Andrew Andrea
Non-executive
Director



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