

Dennis' Blog

June 2019

Hello all,

Here is another update to keep you informed about what is going on in our business. The main topic this time is to play back the results of our Board meeting that took place June 13th in London. Overall, it was a very positive meeting for the following reasons.

First of all, the financial turnaround is happening, despite a significant shift of our sales value and volume into the second half of the year. With cost and cash under control and our biggest and most profitable brands Winsor & Newton and Liquitex in growth on a 12 months' rolling basis, we are building a sustainable platform for the future.

We can also see increased predictability and stability in Operations. Service levels in most markets are high and stable since the beginning of the year. Challenges remain in China to recover from low service levels after Chinese New Year and, as we speak, the move from the old into the new warehouse in Piscataway is not fully completed and we are working extremely hard to get a healthy flow of orders from customers out the door.

Another positive message is that we received approval for a significant investment to move from two sites into one purpose build location in Minehead for our Snazaroo business.

Lastly, we received full support for our decisiveness in taking actions to adjust our cost base to the smaller business we will become without Reeves and Arches. Focussed on our core fine art brands, the rightsizing program will include dedicated initiatives to profitably grow our business as well.

Of course, you will be wondering what the next steps will be of this rightsizing program.

The main difference from my previous communication is that the cost saving target has been reduced from £10m to £8.7m. This is caused by our belief that we are able to create an additional profit of £3.7m from already identified growth initiatives which, when combined with the cost savings, will position us to deliver our 5% EBIT target in 2021. Next week, the GLT has another planning workshop to detail out the specifics of what will happen and when for each function. Our aim is to be transparent and to share the steps in the process that we are taking. We aim to give the next update at a town hall meeting on July 10th (meeting invite to follow).

Recognizing that we still face significant changes ahead, we are rebuilding Colart and I am convinced that our current focus and control will pay off. Deep transformational change takes time and I would like to thank you for your true dedication, passion and energy to make Colart a better place to work and a better company to inspire every artist in the world.

All the best and happy Summer!

Dennis