

# Town Hall Meeting – July 2019

## Business Update

On Wednesday 10th July, we had a Town Hall Meeting live from Head Office. On the panel were Dennis van Schie, our CEO, and the rest of the GLT.

[Click here](#) to watch the recording of the Town Hall Meeting.

### What was discussed?

Dennis started the meeting by mentioning the two parts of the update:

- Discussing the state of the business
- Presenting the upcoming right sizing programme Colart will go through.

### State of the business

- We are delivering on our promise: 2019 is the year of our financial turnaround and we can see that that is happening.
- In terms of cash and cost control, we are doing well and we have a good grip on our cash and the way we spend our money.
- We had a significant uplift plan in our margins – and we are beating that margin target.

### Strategic Projects

The strategic projects we committed to this year are mostly on track, including:

- Closing the Huaibei factory in China
- Transferring the production of Liquitex from Tianjin to Le Mans
- Building the new Distribution Centre in Piscataway

Thank you to all the people involved in these projects for helping us delivering them according to plan!

### Sales Update from Gail

- Despite some teething issues in DC4 in Piscataway, overall the American business is in a very good place: fantastic growth on Liquitex and W&N with our major customers, we are also beating the market and are seeing a strong margin and profit increase.
- Gail then gave us insights on the International, French, Chinese, UK, DACH, Benelux, Nordics, Italy, Iberia and Japan markets sales performance. [Click here](#) to read more.
- The team is currently looking at the 5+7 forecast which will give us a better view on how we see the business performance this year.

## Right sizing programme

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Dennis explained that the communication style for announcing the programme ensure more transparency, even though it make cause more questions. Everybody should contribute to this programme, which is necessary to become a sustainable business.

When a company becomes smaller, the costs structure needs to be adjusted. Less money coming in also means less money can go out, and with the loss of the Arches distribution agreement and the decision to no longer make and sell Reeves, the total size of the business will reduce, and that is why Colart need to take out costs.

### Reasons, size and timing

The two reasons for the right sizing programme are:

- Return on investment needs to come out
- The business is becoming smaller so that we can reach our aim of 5% EBIT in 2021.

The total size of savings we are expecting between now and the end of 2020 is of £8.7 million. Less than 200 people should be affected, and more details will be communicated locally from September on.

### US

It was decided to go create a fully integrated business in the US. This will allow the US to be more empowered and Colart to be more decentralised.

### Where are the savings coming from?

**Gail:** from a commercial perspective, we are targeting £1.8 million of cost reduction coming from 3 areas:

- Frontline commercial organisation
- Reducing duplications across markets
- Merchandising

**Mark:** for operations, which has the largest amount of people, the target is £5 million through:

- Direct and indirect costs related to products: producing less means less people.
- Reducing the amount of stock we have, and therefore reducing our outsourced warehouses (representing £1,2 million).
- Optimising our manufacturing: investing in automation and AI to reduce inefficiencies in factories.

**Jonathan:** for Head Office and Group Functions the target is £1.9 million through:

- How the London office space is managed in terms of space and number of roles
- Elephant West: we are negotiating an extension of the lease to recover from our investment. This will be a significant part of the total saving
- Continue the digital transformation in the IT and Tech infrastructure.

### Additional profit opportunities identified

We have identified £3.7 million additional profit from specific growth initiatives:

- The continued expansion of W&N graphic art proposition
- Liquitex's growth through activation of the complete reset of the brand
- Lefranc Bourgeois' 300<sup>th</sup> Anniversary next year
- Project Arrival, led by Piet van Nassau to replace as much Reeves projects as possible with our other brands.