

Dennis' blog

October 2019

Hi everybody,

Time to write to you again and give an update on the status of our business. First of all, I am very proud to share that we continue to be on track with the financial turnaround that we have set ourselves to achieve this year. With three months left in the year, we can see that sales remain a challenge to meet forecast but our profit is in a good place thanks to the actions we have taken to deliver healthy underlying margins, tight cost control and efficiency gains across the whole business. So a big thank you for all the hard and smart work that you have put in to Colart every day. Our efforts and results have clearly been acknowledged at the board meeting we had two weeks ago where, on the basis of increased financial stability, we were able to spend much of the meeting discussing our strategy going forward. The strategy will be concluded in the November Board meeting, resulting in a detailed business plan by March next year. In the meantime, I will publish a simple strategy document within the next few weeks explaining who we are, what we are aiming for and what this means for all the different functions.

Secondly there is one specific achievement I want to call out and that is the way we have overcome issues in getting our new distribution centre in Piscataway up and running. Through dedicated cross-functional efforts we have addressed people, systems and process issues in a diligent way. Whilst some of the lost sales in June and July are not likely to come back, invoiced sales levels in the months of August and September are very solid and promising. As next steps we see the commercial team working hard to improve the orderbook and the operational team to improve service levels and efficiency.

As the initiatives to right-size the cost base of our business are in planning and execution phases, I am fully aware of the challenges we face. It forces us to think and act differently and it sometimes means saying goodbye to respected and trusted colleagues. Completing the changes ahead of us are very demanding, at the same time they are needed to continue to build a sustainable and healthy Colart. Seeing how the GLT members and so many more leaders in the business have embraced the cost savings targets and are building detailed action plans convinces me that we have the right people to execute the right decisions to get to the results we aim for.

Lastly, I want to repeat some of the highlights of our customer survey that, to me, provides such an accurate perspective of where we are. On the positive: we have a high quality product portfolio, we have great brands that consumers love and we are a good company to do business with. On the negative: we are not close enough to the market, our Service Levels are still not good enough and we should (price) protect independent retailers more. And what to improve: increase our NPD hit rate and launch communication, implement a B2B platform and become more agile and less corporate. When our biggest and sometimes most challenging customer (Michaels) gives us "the best partner award", we must be doing a lot of things right. A very good boost for our confidence going forward and thanks again to everybody who has contributed to winning this prestigious award.

Let's continue to "Inspire every artist in the world"!

All the best,

Dennis