

2019 financial year Update from Jonathan Spight

Glossary of terms

- Opex - Operating Expenditure (marketing and overheads)
- Capex - Capital Expenditure (long term assets such as machinery)
- EBIT - Earnings Before Interest and Tax (our standard measure of profitability)
- EBITDA - Earnings Before Interest, Tax, Depreciation and Amortisation (a measure linking profitability to cashflow)
- EAC - Expenses Affecting Comparability (large one-off items that distort underlying performance measurement)

Our 2019 financial year has officially come to an end (subject to audit) with the publication of our full year results to our Board of Directors and shareholder. This is an especially busy time for the finance team, and I would like to express my thanks and appreciation, and that of the GLT, to the finance team for the drive and dedication in bringing the year to a close. Many in the wider organisation are also involved in year end so their efforts are also greatly appreciated, with special mention to the US team for an all-hands approach to the full stock count conducted at the new distribution centre. The finance team now switches its attention to the annual audit which will cover the next few weeks and to the first month-end under Project Vanilla so there is no let-up in the workload!

2019 was a very successful year in the financial turnaround of Colart despite many external and internal challenges that impacted the business;

1. relocation of warehouses in the US and China,
2. moving significant production volumes from Tianjin to Le Mans,
3. absorbing the impact of tariffs on US imports from China,
4. exiting from canvas assembly,
5. managing the exit from the Reeves and Arches brands,
6. strengthening the product portfolio by discontinuing certain product ranges and increasing the pricing on others,
7. managing difficult trading conditions and industrial action in France
8. riding the uncertain wave that is Brexit!

With this backdrop, the financials overall present a very strong picture – sales were -0.44% vs 2018 as a result of both internal decisions on product and pricing, and external trading conditions, but the quality of those sales increased significantly as shown by a 3.5ppt increase in gross margin to 38.7%. This increase was the combined result of tight cost management and re-engineering across the supply chain, as well as selective product discontinuations and some big price moves in selected markets. Our management of Opex continued with a £8.3m reduction vs 2018, resulting in pre-EAC EBIT of £5.0m, improving vs 2018 by £12.4m. EAC reduced EBIT to £3.6m, representing 2.3% of sales, well on the way to our goal of 5% of sales in 2021.

Operating cashflow was a fantastic story in 2019. The above EBIT flowed into an EBITDA of £11.5m which when net of Capex and working capital improvements (including a cautious approach to year end landing) generated operating cash inflow of £9.9m, which was £24.9m better than 2018.

Congratulations to everyone in Colart for delivering such a strong set of financial results.

A handwritten signature in black ink, appearing to be 'JS', with a horizontal line underneath.

Jonathan Spight
CFO