

# COVID-19 Group Update

Dear all,

As the world continues to find its way through the COVID challenge, many organisations are full on into the question of, “what next?”...Colart is of course no different and this question is being asked in relation to what we do and how we do it! This update focuses on how what the return to the workplace looks like for remote workers, how we aim to protect the engagement and connectivity of our people, the opportunities that arise out of this crisis and the picture drawn by our financials.

## Return to work for remote workers

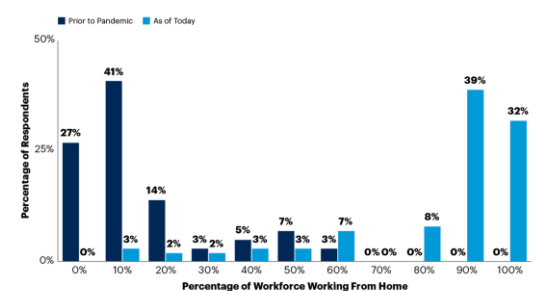
When it comes to getting back to the workplace, we have focused on the return of people in our factories and distribution centres by putting in place a multi-pronged approach designed to meet the health and safety challenges presented by COVID-19. The success of this return has been driven by commitment and collaboration of everyone involved and you will have seen many posts on the Wall giving you an indication of the great work put in place. The return of those of you still furloughed will be dictated by workload, physical distancing parameters and your ability to return. We know the continuation of furlough is difficult and creates a sense of unknown. We therefore thank each of you in all parts of the business for whom furlough is applicable, for your understanding and patience. We will of course communicate locally as appropriate to give you more clarity.

Returning remote workers to the workplace, as communicated before, has not been our priority – in part due to the apparent effectiveness of remote working but also because we realise the complexities that may arise associated with the return plan to ensure the ongoing protection of everyone is maintained. The “what next” for remote working in Colart is therefore a question that is top of our minds. With our attention turning to making our offices COVID-19 ready, whilst we can share consistent protection protocols, we recognise that when it comes to the needs of our people, “one size does not fit all”. For this reason, like many companies, we are endorsing a people centred return to work for remote workers that gives some autonomy even after our offices have officially reopened. The personal circumstances that we have taken in account for our factory and distribution centre returnees and applicable for office people include:

- The need to maintain isolation for a longer period because of health risks or living with someone with health risks
- Being able to avoid public transportation to get to work so limiting exposure
- The need to care for children when schools remain closed

Interestingly when looking remote worker polls that have been conducted in the wider population, there appears to be a greater preference for *flexibility* in how people work rather than wanting workspaces cleaned more often and deeply. The chart to the right also shows how remote working has shifted as a result of COVID-19 to becoming a new norm across business.

Work From Home Shifts After COVID-19



n = 59

Q: "Prior to the emergence of the pandemic, roughly what percentage of your workforce worked from home? As of today, roughly what percentage of your workforce is working from home as a result of the pandemic?"

Source: 2020 Gartner Customer Service and Support Pandemic Impact Survey  
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So, with a view to understanding what next could look

like for Colart when it comes to working remotely, we are asking you for your opinions. A survey has therefore been prepared on the subject and will be distributed across each business area. When you receive the survey, we would like you to please complete it as honestly as possible and give your input so that we can design and implement the best work environment going forward. As Dennis says “every idea/feedback big or small is welcome”

### **Protecting and enhancing how we engage our people**

From a company point of view our greatest concerns linked to remote working include not only ensuring a safe working environment in people's homes but also ensuring that we don't lose engagement with people.

Picking up on the second point, last week we updated you on how we are testing the use of webinars in business units as a way of engaging people locally. We have used the review of the recent employee survey as the basis of this discussion. These webinars compliment the Town Hall webinars with Dennis (with the next one being Wednesday 27 June) and so far we have gained lots of learnings from the ones conducted so far in the US, Northern Europe and UK such as the importance of recording the webinars, the introduction of an audience poll tool and how to improve the visuals in the webinar so that people can see not only the person speaking but also the results of the real time poll.

One of the questions that we asked people during the webinar is whether people felt this type of webinar should be continued and if so what sort of subjects should we focus on. So far we are pleased to hear that the webinars are liked and that people would like to see them used for many other subject matters including: understanding how we build plans to service our markets; understanding our future plans for the brands, how we can really embed the wellbeing strategy into *business as usual* in our business units and linked to this amusingly Anthony Taylor for the UK and I have volunteered to do an exercise class (watch this space!). We will post the links to the webinars on the Wall if you are interested in watching them for other business units.

Of course, we aim to ensure that we don't have *death by webinar* as we recognise the challenge of not being able to read body language or see confusion or disengagement in the audience. For this reason, we will be working with the IT team to ensure we promote as much information on how to get the best out of Teams such that we use it properly and understanding webinar etiquette. The latter is important, as it isn't just the tone of our emails that represent our values but also how we behave online. Any other needs or suggestions, please let me know.

### **Crisis becomes an opportunity**

Kevin Lee, Global e-commerce Director gave a very comprehensive overview to the GLT yesterday about our business with Amazon with the core message that consumers are “embracing the quarantine”. Increase interest in our portfolio started in early March, peaked during the second half of March, and tapered off slightly at the beginning of April with, in total a trend upwards – in fact we have seen +100% increase in Amazon sales in most markets. Kevin anticipates consumer demand for art materials continuing to be high as consumers move into “making the most out of a crisis” and to support this view, we are experiencing great results so far in May.

This positive consumer response to the lock downs is also being replicated by Elephant Kiosk which is seeing some great sales activity as we move out some of our discontinued stock. If you haven't taken a look already (<https://elephantkiosk.art/>), check out the **Elephant Trunk** as a perfect gift for someone in isolation ...it has worked for my Mum who is dabbling in water colour as a complete novice under the YouTube guidance from Bob Ross....her new best friend!!

When it comes to our retail partners, we have a real sense of positivity demonstrated through Colart International Holdings Ltd. The Studio Building, 21 Evesham Street, London, W11 4AJ  
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some excellent collaborative online campaigns across many markets such as a key customer in the UK sending out an email round up with the title “*Winsor & Newton, your favourite brand*”. Gail Pasquier has also received extremely positive comments from customers about our response to the crisis – talking about partnership and aligned strategies. An example is an email reply to Gail from a customer in the US saying:-

*“Without prompt, the Colart team has been terrific and, we greatly value the initiatives of engagement that have been put forth. It is nice to see a venerable organization exercising some ability to be nimble and act in the moment. Cheers to that leadership and, don’t let up!”*

Of course, we can’t just be self-congratulatory, but we should enjoy the positive feedback for all the hard work conducted to trigger these responses. If you would like to know more, let me know so that information can be collected for sharing and in the meantime, check out Instagram by searching for our brand names.

### **Financials draw the picture**

We have known from early March that COVID-19 would have a major impact on the financial plans we had for 2020, largely as a result of reduced customer demand due to retail closures and temporary closures of our production sites. We have prepared a number of scenarios for how 2020 could play out depending on the nature and extent of how the crisis could develop.

Our initial, most likely scenario was a deep-short crisis that forecast (cautiously) minimal sales and production across late March, April and May with a recovery across June and July and a relatively “normal” end of year. Due to the high fixed cost nature of our operations the lost contribution from the sales shortfall had a very dramatic impact on profit (and cash) which after some cost reductions netted to a potential loss for 2020 of -£14m. This scenario was presented to the Board in March and forms the benchmark against which we are measuring progress. It is important to recognise that even at this degree of loss, and adverse positions in Beckers and Moorbrook, that Lindéngruppen has sufficient liquidity (i.e. available cash) to continue to support all operations of the group.

Time has passed since we prepared this initial scenario and the business has responded superbly to the huge challenge with production and distribution sites re-opening well ahead of our initial assumptions and customers continuing to order, with a bias towards e-commerce activities. This has resulted in greatly improved financial performances in March and April, and expected in May. Accordingly, we have updated our initial scenario which is now better described as a shallow-long scenario with a slow recovery back to “normal” sales levels as the impact of the immediate crisis on customers and consumers takes time to correct itself. This shallow-long scenario forecasts a loss for 2020 of -£10.4m, so a great improvement on our benchmark.

The final word as always is that we cannot stress enough the importance of following the safety protocols for everyone in Colart and your families: As a reminder please visit [this site](#) for further information on how to ensure protection against infection.

**STAY SAFE**, and if you have any questions on this update or any other subject you have a number of routes to take:

1. Your line manager
2. Your local HRBP
3. The Q&A platform on the intranet

Regards,

**Jane Beeston**

*Chief People Officer*