

WEBVTT

00:00:06.933 --> 00:00:10.773

No. Yes, good to go. Hello. Here we are

00:00:10.773 --> 00:00:15.203

again. Yeah. Always very pleased to do these town halls

00:00:15.203 --> 00:00:18.433

especially in times that are challenging and tough. And we will, of course

00:00:18.433 --> 00:00:21.863

we're going to talk a bit more about that today. Jonathan, with me

00:00:21.863 --> 00:00:23.933

as well to talk about the business performance.

00:00:25.193 --> 00:00:28.813

Gareth will interview us and yeah, let me start off

00:00:28.813 --> 00:00:32.603

by repeating the same message I give every town hall there's

00:00:32.603 --> 00:00:36.013

s a short explanation why we do this, we do believe

00:00:36.013 --> 00:00:39.953

in full transparency. We do believe in updating

00:00:39.953 --> 00:00:44.473

communicating with the whole company at

00:00:44.473 --> 00:00:47.743

the same time with the same messages, so you're all fully

00:00:47.743 --> 00:00:50.963

aware of what's going on and the successes that we have. The

00:00:50.963 --> 00:00:54.353

challenges that we face and the things

00:00:54.353 --> 00:00:54.923

that we believe.

00:00:54.973 --> 00:00:59.413

Our most important for you to focus on in your day to

00:00:59.413 --> 00:01:00.053

day conclusions to collect.

00:01:01.443 --> 00:01:04.873

Also even if I do not

00:01:04.873 --> 00:01:07.923

t always get the amount of feedback that I want, I again

00:01:07.923 --> 00:01:11.163

and again would like to stress please give us

00:01:11.163 --> 00:01:14.533

s your feedback right? It's a psychological safe culture that

00:01:14.533 --> 00:01:18.553

t we have your voice, your opinion, your ideas

00:01:18.553 --> 00:01:22.773

are extremely important for all of us to get

00:01:22.773 --> 00:01:26.203

absolutely the maximum out of what we're trying to achieve at

00:01:26.203 --> 00:01:26.353

t full art.

00:01:27.973 --> 00:01:31.113

So that's the intro, as always, the reason

00:01:31.113 --> 00:01:34.503

why we have the town hall and

00:01:34.503 --> 00:01:34.883

as inspiration.

00:01:36.163 --> 00:01:39.263

Today I would like to mention two things

00:01:39.263 --> 00:01:42.793

For the first, the first thing I would like to refer to is.

00:01:43.653 --> 00:01:46.673

Is something called the

00:01:46.673 --> 00:01:50.513

winning from within its coming

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g from a thought leader, a Harvard professor called

00:01:53.993 --> 00:01:57.263

Erica Rice Erica.

00:01:58.943 --> 00:02:02.273

Ariel Fox forgot her name

00:02:02.273 --> 00:02:05.743

Yeah, erica. Ariel fox. And her concept is the winning

00:02:05.743 --> 00:02:08.993

from within. And what is this all about? It's all about the many, many

00:02:08.993 --> 00:02:12.263

voices that all of us have in our in ourselves, right

00:02:12.263 --> 00:02:13.853

And she kept categorizes.

00:02:15.143 --> 00:02:18.883

Her inner voices in the big

00:02:18.883 --> 00:02:22.583

Four. One is the dreamer, one is the lover, one is the

00:02:22.583 --> 00:02:26.213

thinker and one is the warrior, and this in

00:02:26.213 --> 00:02:29.313

yourself to find the right

00:02:29.313 --> 00:02:32.843

t choices and to find your inner wisdom to deal with all

00:02:32.843 --> 00:02:36.083

I those voices that you hear inside yourself

00:02:36.083 --> 00:02:39.643

For what reason in the end of the day, to make

00:02:39.643 --> 00:02:43.223

e your absolute best potential. That's inside of

00:02:43.223 --> 00:02:44.533

you truly translated into.

00:02:44.913 --> 00:02:48.543

Action on a day to day basis, not just for work, but in

00:02:48.543 --> 00:02:51.963

life in general. So check it out I think

00:02:51.963 --> 00:02:55.833

nk she has a tech talk somewhere. I think she's

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also written the book which is called the same winning from within and I thought

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t they were very, very inspirational, the second inspirational thing

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is of course I keep reading this

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time Stefan slide, it's an

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an Austrian author born in the late 19th century

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and I'm actually I'm really it's a collection of.

00:03:14.803 --> 00:03:18.483

Novels this book, and I'm reading this because

00:03:18.483 --> 00:03:22.893

e in the beginning of the week, on Monday, I have my weekly catch up with Dominique and

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we chat about stuff, of course, about the challenges that we

00:03:26.063 --> 00:03:26.793

face and business and.

00:03:27.483 --> 00:03:30.543

Yeah, I tried to help him guide my team in the best

00:03:30.543 --> 00:03:34.113

possible way, but we also talk about other things. Include including what

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we read and what inspires us, and Dominique told me that

00:03:37.423 --> 00:03:40.923

one of the best stories he has ever read in his

00:03:40.923 --> 00:03:45.253

life was a story and novel from Stefan

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track. It's called a chess story

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I'm halfway through Dominique, and you were right. You absolutely don't

00:03:51.963 --> 00:03:55.073

want to stop breathing. It's one of those pages during the turn

00:03:55.073 --> 00:03:57.853

is that you simply cannot put down. Very, very.

00:03:57.923 --> 00:03:59.523

Inspirational for me.

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All right, then we get to the more serious

00:04:03.773 --> 00:04:07.073

part of the town hall today, handing over to.

00:04:09.003 --> 00:04:10.633

Are beautiful.

00:04:11.403 --> 00:04:12.073

Interviewer.

00:04:12.133 --> 00:04:15.183

OK, great. Thanks very much

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Dennis and this part of the

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he session is a Q&A session as we had published earlier

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on the week with. So I'll be asking questions to Dennis

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to and CFO and also to Steve Chamberlain

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the general manager in North America.

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I'm just to start with Dennis. I'd like to just sort

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of talk more broadly around the market

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in context, so at the external

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factors that impact on

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collard too, so we know that

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economies are struggling across the globe and of course

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collapse part of that. So from your own perspective what

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sternal factors playing in your own thinking?

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So I think I mentioned this

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before there and everybody also here in the audience in the hub.

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What is different from the challenges that we face today?

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Versus maybe the challenges back in

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2007, in 2018 that we went through very

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serious restructuring and crisis et cetera, is today there

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are many unknowns and the challenges that we face

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ce are truly external challenges.

00:05:30.613 --> 00:05:33.833

And what do I mean by that? It is basically and the way I

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call it and also the way that many of our peers and

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competitors are described in the same way, but I call it the perfect storm

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And the perfect storm means consumers are doing

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other things post pandemic. Yeah, they're not sitting at home

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painting those who have actually been painting and came into the category, they have the

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cupboards full of our materials, so they buy less.

00:05:55.453 --> 00:05:57.003

Art materials and they do other things.

00:05:57.763 --> 00:06:01.483

At the same time, as we all of course read about this

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the cost of living prices right? Everything is getting more expensive, so

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o people are much more.

00:06:07.293 --> 00:06:10.523

That's a approval or conscious about how

00:06:10.523 --> 00:06:14.153

they spend, spend their money? Then what is a

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major factor in the current sales number? You

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r the revenue that is not coming in according to plan is the

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he fact that a lot of retailers were completely

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overstocked and that's an external factor that we just

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need to need to accept a little bit. But the reason

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why that has happened is because.

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During the pandemic right our category to grow and grow

00:06:36.933 --> 00:06:37.383

the growing.

00:06:38.053 --> 00:06:41.653

And Amazon and Michaels and the range there were just

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keep on piling up and ordering from us in order to

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let's say, fulfill the demand that they thought was going to go on

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forever. But of course that has crashed and stopped

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at the moment. So that's another external cracker then

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We should not underestimate the fact that everything

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g is getting more expensive, right? Afraid it's going to be

00:07:01.903 --> 00:07:05.093

better now by the way, right

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But of course, energy, raw materials and we had a

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good chat.

00:07:08.593 --> 00:07:12.703

With the Dominican Bruno yesterday energy

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y prices that we thought were going to be X for next year

00:07:15.823 --> 00:07:19.613

and to plan out our budget for it, suddenly three times tax, you see what I

00:07:19.613 --> 00:07:22.703

mean? So there are all these unknowns and these

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variables that are from outside that are impacting, impacting

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our business and that's

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s where the challenges are coming from and that's where as I said

00:07:34.443 --> 00:07:37.623

last time and the last time, that's why

00:07:37.623 --> 00:07:38.183

now.

00:07:38.513 --> 00:07:41.553

No, they're not going to hit our financial targets. We're going

00:07:41.553 --> 00:07:44.583

to lose money. There is a very

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serious consequence of all those external factors that are not only us

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right, our competitors, the same many businesses that you read in the newspaper, but be

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a bit more specific. I hope this answers your question

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exactly. The specifics are great. It's good to understand

00:07:58.913 --> 00:07:59.943

that. What about I guess?

00:08:00.003 --> 00:08:03.393

Appears in the industry

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I competitors with the people that we spend some side side by

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side with. What are you seeing there

00:08:10.003 --> 00:08:12.223

doing or what are they doing different things upon art?

00:08:13.053 --> 00:08:17.403

Putting their facing exactly the same the same challenges

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s with us. I speak with them on a regular basis just

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to check in and how everybody's doing and

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also to make sure that we all work as

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an industry towards standards that you'll believe in when it

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comes to regulatory standards or sustainability standards ET

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t cetera. But of course when you talk, you also talk about business, how are you doing and everybody uses

00:08:38.733 --> 00:08:42.193

the same word, perfect storm, Oh my God, what's happening.

00:08:42.473 --> 00:08:46.513

What I would call out which

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h makes us different from many of our competitors is that.

00:08:52.033 --> 00:08:55.813

Many of our competitors are more profitable than we

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are, which means while we are now into serious

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saving programs, right and we already kicked off from halfway through

00:09:03.003 --> 00:09:06.533

h the year when we saw that the business was not performing well

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enough, right?

00:09:07.463 --> 00:09:11.043

The way that we go at it right now to not lose

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money, right, are less urgent, at least what I hear

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from our peers, because they have less

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overhead, they put less money and invest less in

00:09:21.303 --> 00:09:24.733

building brands in, digitalizing their company in

00:09:24.733 --> 00:09:27.753

n automating their factories that just well established

00:09:27.753 --> 00:09:30.843

of assets to make

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art materials over more than 1500

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hundred years so.

00:09:35.633 --> 00:09:36.623

They are in trouble.

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They have maybe

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more patients than we have when it

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comes to being sustained or financially sustainable at the

00:09:49.493 --> 00:09:52.223

e same time, everybody's also giving, let's say, the good news.

00:09:53.303 --> 00:09:56.763

Even in difficult times that this is a category

00:09:56.763 --> 00:09:57.153

that is.

00:09:57.813 --> 00:10:00.253

Absolutely not redundant. People will continue to.

00:10:00.883 --> 00:10:03.903

Make paint and create art

00:10:03.903 --> 00:10:07.253

right? So it is a cycle and economic cycle that will

00:10:07.253 --> 00:10:10.113

reverse and then actually the common.

00:10:12.043 --> 00:10:15.163

Common theme which is also confirmed

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by the board and I'm sure we will talk a bit more

00:10:18.383 --> 00:10:23.043

about that, but that we should get ready for a long cold winter

00:10:23.043 --> 00:10:23.553

that at least.

00:10:24.973 --> 00:10:28.673

We planned for it's going to take two years and industry

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y peers are doing the same and.

00:10:31.523 --> 00:10:35.623

Preparing themselves for a similar time frame. OK, so

00:10:35.623 --> 00:10:39.483

let's say on the external market factors

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I guess knowing

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how impactful North America is to the conduct business, what

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I want to do now is go live to DC 4IN

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n Piscataway and speak with Steve Chamberlain, the general manager

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there for North America, so

00:10:56.703 --> 00:11:00.213

recently Steve presented at the board meeting, which Dennis I'm spoken

00:11:00.213 --> 00:11:01.633

about and provided.

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An update on North America and more specifically

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around the key client there in the US, Michaels, Dennis

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has mentioned that in previous town halls before as well, so

00:11:13.433 --> 00:11:16.613

tly welcome Steve, Great to have you on board and thanks for

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r being here. What were the highlights

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so I guess and insights from your presentation through that board and you

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u give us an overview please?

00:11:25.653 --> 00:11:29.953

Yeah, I Gareth and Dennis. Thank you and good morning. Good

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afternoon to everyone, actually from home today, not from DC-4

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back 20 minutes away from DC-4, I was in there yesterday, so

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I'm working from home today, but

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t yeah, it's great to be with you all and I think

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k firstly 1 main highlight from me

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was just how understanding and supportive and inquisitive

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and the board.

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Where when I was on the call with him and I'm sure that was

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the same for the rest of the meeting that Dennis and Jonathan

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had, but extremely

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y keen to understand exactly why North America in particular was

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having such a tough year and what the

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plans are to kind of help see us back on

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n the right path, Gareth. So that was like 1

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ticular highlight for me.

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What I would like to share with you all because

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we have some new people and newer people on this call as well there

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e is a huge reliance as many of on

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the success of the North American business and what that means for the coal art

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group. North America is around 45% of

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annual sales and a big slice of the annual

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profit that COLLATZ strives to make. So if North America has

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a tough year, it does have an impact right across

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the group from our.

00:12:49.533 --> 00:12:52.583

Other factoring units right the way through

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to our overall group group profitability, so a tough year in

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North America. I'm we're very aware as a team over here that has

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a much wider impact.

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Than that and then within the North American

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business unit, Gareth, to get into a little bit more detail, we've obviously got

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t this huge customer called Michaels. Michaels are around

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1/3 of our total business in North America we're

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re almost a little over reliance on them. It's a

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kind of good news, bad news story, Michaels

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have 1300 art and craft stores. They're the biggest

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art and craft retailer in the world and the share of voice we have

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within the art department, especially within Michaels.

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It's much bigger than all of our competitors

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would. They would chop off their right arm for the

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business we enjoy in Michaels. So that's

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great. We over punch and we have a bigger

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impact in Michaels than all of our competitors. So when Michaels are

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doing well, that's tremendous for us when Michaels are doing

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g not so well, that obviously has a bigger negative impact on our business because

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they are around 1/3 of 1/3 of our total sales.

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So what's been going on with Michaels and

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other retailers in North America? And I won't repeat some of the stuff, Dennis

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as always said about this, already said about some of those macro issues going

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in the wider economy. But Michaels

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themselves in particular had a few issues this year which has had

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a real impact on our business. So I will go down into a

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a little bit more detail there earlier on in the year

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ey opened a couple of new distribution centres

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s which had huge IT issues, so we

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had truckloads and truckloads and truck.

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Loads of goods sitting in the yards at these

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distribution centers that Michaels couldn't receive into stock to get out

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of the stores, to get out to the stores. So they started to

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have some sales out issues because the inventory was not in the

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right place.

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Then as they started to kind of work their way through and fix

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that, the product started to reach the stores, but

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around that same time, there was definitely a

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softening in consumer demand. Football was down in

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the stores as some of these economic

00:15:01.983 --> 00:15:05.083

influences that Dennis spoke to started to hit

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4. Four was down, an average basket was down, so just as we were getting

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the inventory into the stores, the consumer demand started

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to soften versus what we all expected and then

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to be honest.

00:15:15.613 --> 00:15:20.533

There's been a lot of changes in personnel at Michael's, good and bad

00:15:20.533 --> 00:15:23.693

I'd say earlier on this year, more bad than good for us and a little

00:15:23.693 --> 00:15:27.133

bit of lack of focus in terms of trying to understand some

00:15:27.133 --> 00:15:30.383

of the levers that traditionally Michaels and ourselves have managed to

00:15:30.383 --> 00:15:33.393

pull to try and kind of get

00:15:33.393 --> 00:15:34.233

things back on track.

00:15:35.213 --> 00:15:39.583

The new team there has been very focused on other initiatives rather

00:15:39.583 --> 00:15:42.823

than necessarily just getting that sales line moving again, so

00:15:42.823 --> 00:15:46.303

that also had a negative impact on our

00:15:46.303 --> 00:15:49.363

year with Michaels and then just when we thought we've got

00:15:49.363 --> 00:15:52.813

t a handle on our figures and things couldn't particularly get much worse and

00:15:52.813 --> 00:15:55.853

we'd come through things, the 6 + 6, the mid year reforecast.

00:15:56.643 --> 00:16:00.113

Michael sprung on us pretty much unannounced

00:16:00.113 --> 00:16:03.663

a huge destocking initiative and this is probably

00:16:03.663 --> 00:16:07.213

y more of the Walmart mentality, the CEO now

00:16:07.213 --> 00:16:10.823

he's been two years in the job, but he's an ex Walmart guy. And there's

00:16:10.823 --> 00:16:14.893

lots more ex Walmart people there. So they're trying to run Michaels in a

00:16:14.893 --> 00:16:18.573

much more, shall we say, efficient way for want of a better description

00:16:18.573 --> 00:16:21.663

And that involves getting their stock turn up, which as we

00:16:21.663 --> 00:16:25.543

all know, those of us with more of a fine art

00:16:25.543 --> 00:16:26.273

background, Stockton is generally.

00:16:26.323 --> 00:16:29.363

Quite slow in a lot of our products and Michael's

00:16:29.363 --> 00:16:32.383

are keen to get it faster. There's a couple of

00:16:32.383 --> 00:16:35.523

kind of key levers you can change if you're

00:16:35.523 --> 00:16:39.693

trying to improve Stockton. One is top line, you wanna sell more, so if

00:16:39.693 --> 00:16:42.783

you the quicker you sell things, the quicker you Stockton and that's

00:16:42.783 --> 00:16:46.213

good news for a business. But right now Michaels have been

00:16:46.213 --> 00:16:49.543

struggling to sell more. So the other thing you then have to do to try and

00:16:49.543 --> 00:16:52.993

improve your Stockton is by less because that's another way of saying

00:16:52.993 --> 00:16:56.373

g you're going to sweat your inventory harder and get that stock turn

00:16:56.373 --> 00:16:56.643

up from 1.

00:16:56.693 --> 00:16:59.933

3 to 1.5 to 2 which is their

00:16:59.933 --> 00:17:03.143

company out, which is their company target to get their stock turn to

00:17:03.143 --> 00:17:06.653

two so everything turns twice during the course of the year. So that's

00:17:06.653 --> 00:17:10.133

s been a huge recent impact on our business and it's

00:17:10.133 --> 00:17:13.943

quite painful in a normal year we probably look to do

00:17:13.943 --> 00:17:17.863

do 20 to \$25 million with Michaels

00:17:17.863 --> 00:17:21.103

and just the destocking for the stock turn is going to cost

00:17:21.103 --> 00:17:24.733

us around \$7 million this year and that is

00:17:24.733 --> 00:17:26.893

a huge number in any business even in this.

00:17:26.943 --> 00:17:30.053

Size of the North American business unit and just to give you a

00:17:30.053 --> 00:17:33.063

feel for it, we all get very excited around the world

00:17:33.063 --> 00:17:36.323

and with the help of our colleagues in brand and the help of our colleagues

00:17:36.323 --> 00:17:39.413

in the factories, if we launch a new product range, it's

00:17:39.413 --> 00:17:43.123

like Michael stock it, if we do a reset or a range

00:17:43.123 --> 00:17:46.413

e review as you'd call it in the UK, what new products are going to go into

00:17:46.413 --> 00:17:46.933

Michael's this year?

00:17:47.683 --> 00:17:51.403

A good reset with Michaels, the one where it's like

00:17:51.403 --> 00:17:54.663

put the champagne on ice because it's been a

00:17:54.663 --> 00:17:58.103

huge successful year, could see

00:17:58.103 --> 00:18:01.243

us increase our business Michaels in a selling that value by

00:18:01.243 --> 00:18:04.683

y maybe \$2,000,000. So when you think about the destocking maybe being

00:18:04.683 --> 00:18:07.863

g as high as \$7 million, six to \$7 million, it's not

00:18:07.863 --> 00:18:11.353

n exact science unfortunately, it just shows the

00:18:11.353 --> 00:18:14.783

he impact that can have. It wipes out the amazing work the team have

00:18:14.783 --> 00:18:17.813

done this year. Many people on this call involved around getting liquitex.

00:18:17.863 --> 00:18:20.973

Basics fluids into store. They're in store now

00:18:20.973 --> 00:18:24.063

They're selling. Michaels is having a much

00:18:24.063 --> 00:18:28.273

better September. August was stronger than than than July

00:18:28.273 --> 00:18:31.543

as well. So we're hoping we've turned a corner, but they're still in that phase where

00:18:31.543 --> 00:18:34.733

e they've got to sell more before they buy more

00:18:34.733 --> 00:18:37.843

We think by Q1 next year they'll have kind of reached

00:18:37.843 --> 00:18:40.943

d that point where they kind of start to buy what they sell and then we'll see more

00:18:40.943 --> 00:18:44.463

of that recovery. Now just quickly outside of Michaels, another

00:18:44.463 --> 00:18:47.543

particularly tricky impact on the business this year which

00:18:47.543 --> 00:18:47.823

h has seen.

00:18:47.883 --> 00:18:51.183

North North America fall short of its numbers. There's been amazon

00:18:51.183 --> 00:18:54.253

Amazon is a huge success story for us

00:18:54.253 --> 00:18:57.293

still generally in North America and across the group

00:18:57.293 --> 00:19:00.673

But Amazon, Amazon themselves bought heavily at the back end

00:19:00.673 --> 00:19:05.063

d of last year. I'm expecting an even higher holiday

00:19:05.063 --> 00:19:08.263

season than they actually achieved. Sales were good, sales were

00:19:08.263 --> 00:19:11.763

up, and sales to consumers with Amazon are like a

00:19:11.763 --> 00:19:15.073

00% ahead of where they were in 2019

00:19:15.073 --> 00:19:17.983

But they weren't as high as they thought. So Amazon themselves ended up in a.

00:19:18.043 --> 00:19:20.953

Position where they were overstocked and then because of that.

00:19:22.233 --> 00:19:25.483

They would try and resist our 2022

00:19:25.483 --> 00:19:28.683

price increase basically because they were sitting on an off inventory they could

00:19:28.683 --> 00:19:32.113

d afford to say no, they were overstocked anyway, so then we had to reach

00:19:32.113 --> 00:19:35.453

a point where we were not shipping Amazon because one

00:19:35.453 --> 00:19:38.833

of the things we need to ensure in the marketplace is if we're

00:19:38.833 --> 00:19:42.023

having a price increase, it's market wide, so

00:19:42.023 --> 00:19:45.073

that obviously started to have an impact on our sales in because

00:19:45.073 --> 00:19:48.233

we weren't shipping products to Amazon and Amazon should be \$1,000,000

00:19:48.233 --> 00:19:52.203

a month and we certainly spent a couple of months of shipping Amazon next

00:19:52.203 --> 00:19:52.563

to nothing.

00:19:52.613 --> 00:19:55.923

Because most of the skews, they were refusing to take the price

00:19:55.923 --> 00:19:59.083

increase. Now, pleasingly, that's now solved and we're starting to ship much more

00:19:59.083 --> 00:20:02.383

strongly to Amazon again, but it's had such a negative impact on

00:20:02.383 --> 00:20:05.633

the year that we can't recover all of that in

00:20:05.633 --> 00:20:06.613

2022.

00:20:07.643 --> 00:20:10.823

What I do want to just finish on 2022 and Gareth before I pass

00:20:10.823 --> 00:20:14.183

back to you is and Dennis has talked about this on

00:20:14.183 --> 00:20:17.333

previous town halls. Our brands are in good shape

00:20:17.333 --> 00:20:20.993

our sails out are in the region of 15 to

00:20:20.993 --> 00:20:24.833

20% ahead in value versus where they were in 2019

00:20:24.833 --> 00:20:28.223

the last normal year. We just finding a lot of those

00:20:28.223 --> 00:20:31.523

other factors impacting our sales in this year and as we're trying to

00:20:31.523 --> 00:20:34.653

kind of catch the falling knife of what's happening in this

00:20:34.653 --> 00:20:37.753

dare I say post COVID world, I think we'll be living with COVID.

00:20:37.803 --> 00:20:41.383

Forever, but in this kind of post pandemic world

00:20:41.383 --> 00:20:44.483

maybe so fundamentally all the great work that's been done in north

00:20:44.483 --> 00:20:47.843

h America and around the world on our brands and our products are putting us in

00:20:47.843 --> 00:20:50.923

n great shape. We're just having a really tough year for

00:20:50.923 --> 00:20:54.553

ales in, but will come through

00:20:54.553 --> 00:20:58.063

h. So Gareth, does that help give her a nice update on 2022 in the

00:20:58.063 --> 00:21:01.393

board meeting? Absolutely. Thanks very much, Steve for that overview and hopefully

00:21:01.393 --> 00:21:04.603

that provides the audience with a with a

00:21:04.603 --> 00:21:07.903

er understanding of around some of the challenges that you face there in North America.

00:21:08.203 --> 00:21:11.713

So moving away from external markets

00:21:11.713 --> 00:21:15.733

and more focusing around collar

00:21:15.733 --> 00:21:19.263

organizationally. Dennis, a question to you and for

00:21:19.263 --> 00:21:23.143

r those that don't know, there was a GLT offsite held

00:21:23.143 --> 00:21:27.493

recently where you where you got together considered the market situation

00:21:27.493 --> 00:21:31.003

discuss where you're all heading. Yeah, a lot of

00:21:31.003 --> 00:21:34.153

the big question that I know many people are asking and for those

00:21:34.153 --> 00:21:37.683

especially that they're meeting that happened is will our

00:21:37.683 --> 00:21:37.993

strategy change?

00:21:39.233 --> 00:21:42.593

Thanks for asking and it's of course I cannot

00:21:42.593 --> 00:21:45.833

t repeat it often enough, right? It's building

00:21:45.833 --> 00:21:48.963

g on what Steve just mentioned around the strength

00:21:48.963 --> 00:21:52.583

h of our brands. Our strategy stays the same

00:21:52.583 --> 00:21:55.873

yeah. And we have the so-called House, hopefully it's going to

00:21:55.873 --> 00:22:00.273

be called up now by our producer here and

00:22:00.273 --> 00:22:04.683

the House tells it all our vision, right, inspiring everyone in the world our

00:22:04.683 --> 00:22:08.013

ur mission sustainable home of

00:22:08.013 --> 00:22:08.703

leading creative brands.

00:22:09.583 --> 00:22:13.473

The strategic pillars, right core

00:22:13.473 --> 00:22:16.593

around sustainability, around strengthening our brands and of course not

00:22:16.593 --> 00:22:19.833

to forget the foundation which is all about our values

00:22:19.833 --> 00:22:23.233

being open, passionate, innovative and delivering with color

00:22:23.233 --> 00:22:26.813

olor, right. So that's the whole, that's the house if you ever get lost, right

00:22:26.813 --> 00:22:30.123

and you don't know why you're here, just look at that house and it

00:22:30.123 --> 00:22:33.493

tells them of course there needs to be a lot more

00:22:33.493 --> 00:22:36.653

re detail and depending on the job that you have and the tasks

00:22:36.653 --> 00:22:39.713

that have. But that describes the company, that's the strategy.

00:22:39.793 --> 00:22:43.513

And yes, we will save money. And will we

00:22:43.513 --> 00:22:46.973

have to reduce our cost base, but our strategy stays the

00:22:46.973 --> 00:22:50.623

same and we will maintain all the fundamentals strong

00:22:50.623 --> 00:22:52.483

g capabilities that we have built over the last few years.

00:22:53.213 --> 00:22:56.963

OK, great. And for those that aren't familiar with the house, we'll make sure it's definitely

00:22:56.963 --> 00:23:01.463

shared in the news article following up from that and additionally

00:23:01.463 --> 00:23:04.753

y, so that was a GT on site, there was also the board meeting which we've

00:23:04.753 --> 00:23:08.653

e spoken about. Yep, and understand that

00:23:08.653 --> 00:23:11.843

conclusions that have come from this meeting, thanks to those that

00:23:11.843 --> 00:23:15.423

t offered additional questions that have come from

00:23:15.423 --> 00:23:20.443

that. And that was one of the real clear questions that people wanted to know around what

00:23:20.443 --> 00:23:23.203

at were the conclusions from that meeting or is it?

00:23:23.253 --> 00:23:26.333

That would be that you can provide us at this

00:23:26.333 --> 00:23:29.883

point, yeah, brush, brush stroke, of course

00:23:29.883 --> 00:23:33.213

because it's a full day

00:23:33.213 --> 00:23:36.423

eting. First of all, acknowledge by Steve the board is with

00:23:36.423 --> 00:23:38.393

ith us, right. They are smart.

00:23:39.393 --> 00:23:43.223

Business people, they read newspapers, they understand what's going on. And we're

00:23:43.223 --> 00:23:46.503

not the only company. Also including what

00:23:46.503 --> 00:23:50.453

is happening to other companies. Linda group, right

00:23:50.453 --> 00:23:53.793

where macroeconomic factors are clearly having an impact, right. So there

00:23:53.793 --> 00:23:56.893

is understanding and there is support. I mean one conclusion

00:23:56.893 --> 00:24:00.393

comporting, second conclusion on the board meeting is that our

00:24:00.393 --> 00:24:02.823

proposals how to deal with the situation, how we act.

00:24:03.783 --> 00:24:07.323

He's also confirmed and approved

00:24:07.323 --> 00:24:10.923

right guys Dennis team to doing the right thing

00:24:10.923 --> 00:24:14.703

Not only that what we what we have done

00:24:14.703 --> 00:24:18.183

basically from pre, pre summer when the first signals were

00:24:18.183 --> 00:24:21.523

coming that we were we were like behind and also now what

00:24:21.523 --> 00:24:24.853

we have proposed is the direction going into 20

00:24:24.853 --> 00:24:28.043

23. So the conclusion there is also pretty

00:24:28.043 --> 00:24:31.303

simple pretty straightforward and that sets the tone for what's

00:24:31.303 --> 00:24:33.573

s going to happen going forward is that 8.

00:24:33.633 --> 00:24:37.973

We should not lose money. We need to pay down our debt B

00:24:37.973 --> 00:24:41.313

B This is going to be a long cold winter, so prepare yourself for

00:24:41.313 --> 00:24:44.643

r two years of maintaining the status quo

00:24:44.643 --> 00:24:48.063

and really get to what we call MVP

00:24:48.063 --> 00:24:51.463

right? Stolen from Toby and the tech world. Minimum viable product.

00:24:52.383 --> 00:24:55.463

Right. Absolutely. Think about the minimum

00:24:55.463 --> 00:24:58.493

amount of investment and spent that you need in order

00:24:58.493 --> 00:25:02.383

to keep the company going, right? Don't

00:25:02.383 --> 00:25:06.993

invest to build more into your septic builds, right? Maintain what you

00:25:06.993 --> 00:25:10.373

have and make sure that you read as you run as

00:25:10.373 --> 00:25:13.883

lean as possible. So that's basically the

00:25:13.883 --> 00:25:17.113

most important conclusions from the board that supports

00:25:17.113 --> 00:25:20.663

they appreciate that we act now they

00:25:20.663 --> 00:25:22.053

y are supporting the guidance.

00:25:22.713 --> 00:25:25.893

Targets that we have given which is I think Jonathan

00:25:25.893 --> 00:25:29.293

n, 3% EBIT, yeah, for next year

00:25:29.293 --> 00:25:32.493

and now probably Jonathan can talk a bit more

00:25:32.493 --> 00:25:35.913

about how does all links up because we have savings done, more savings could

00:25:35.913 --> 00:25:39.093

be done. Budget process is happening at the same time, right. How do

00:25:39.093 --> 00:25:42.103

we all bring together and when will there

00:25:42.103 --> 00:25:46.063

be a point in time when we can be super clear and specific about? OK, yes

00:25:46.063 --> 00:25:49.103

no, yes, no, start, stop, start you see and I guess

00:25:49.103 --> 00:25:52.123

sorry before we go on Jonathan, one just final question around that.

00:25:52.183 --> 00:25:55.253

Was and I know this is also another question that

00:25:55.253 --> 00:25:58.743

it has come from the audience is yeah, how much, how much

00:25:58.743 --> 00:26:02.643

of that is decided by or influenced by Linda Griffin

00:26:02.643 --> 00:26:06.673

versus what we're actually presenting to them in terms of the

00:26:06.673 --> 00:26:10.573

he proposed changes? Yeah. So it's which is

00:26:10.573 --> 00:26:14.403

give me again confident could the confidence as a leader of all

00:26:14.403 --> 00:26:16.353

of you and as the leader of the business.

00:26:17.253 --> 00:26:20.313

They don't interfere. Tell me down if you you're talking about you

00:26:20.313 --> 00:26:23.633

bout you need to do this. You need to do that, right? It's all based on

00:26:23.633 --> 00:26:26.643

what we bring to the table and we are challenged and we get a new

00:26:26.643 --> 00:26:29.993

ideas and we are right. We are thinking through how

00:26:29.993 --> 00:26:33.933

how to finesse certain certain things. But it is our plan. It is

00:26:33.933 --> 00:26:37.023

our proposals that is being

00:26:37.023 --> 00:26:40.663

endorsed by the Board and linden grouper and maybe to the final

00:26:40.663 --> 00:26:43.773

note to say is also last board meeting, right it was

00:26:43.773 --> 00:26:47.103

was not about blowing up the strategy, you're blowing up the company and doing funky.

00:26:47.163 --> 00:26:50.833

Yeah, there's no strategy is cool. It's clear

00:26:50.833 --> 00:26:54.073

Keep going. Now it's all about that. Tactical actions

00:26:54.073 --> 00:26:57.383

to take in order to weather the storm and

00:26:57.383 --> 00:27:00.983

to just make sure that we win the cycle reverses get

00:27:00.983 --> 00:27:04.223

et back up again, hey, come to crunch numbers

00:27:04.223 --> 00:27:07.943

and a real focus around the business strategy too

00:27:07.943 --> 00:27:08.223

so.

00:27:09.393 --> 00:27:12.653

Firstly, Jonathan, we made several cost

00:27:12.653 --> 00:27:15.933

saving initiatives before the summer. Are we starting

00:27:15.933 --> 00:27:18.303

to see those and savings come through yet?

00:27:19.653 --> 00:27:22.793

Yes, we are, but let me take a step back before I answer that

00:27:22.793 --> 00:27:25.263

question and links into what Steve was saying that.

00:27:26.103 --> 00:27:29.323

Without sales in 2022 of the key

00:27:29.323 --> 00:27:32.483

brands are higher than they are in 2019, so that's great

00:27:32.483 --> 00:27:36.603

but it's cool. Art is not the same business as it was in 2019, so

00:27:36.603 --> 00:27:39.923

2019 we have the Irish business, we have Reese at

00:27:39.923 --> 00:27:43.123

the time and those were sort of £20 million of

00:27:43.123 --> 00:27:43.393

extra sales.

00:27:44.173 --> 00:27:47.903

With limited cost to serve those, so that was

00:27:47.903 --> 00:27:51.323

genuine profit. We don't have that anymore. So our business is a bit

00:27:51.323 --> 00:27:54.523

smaller despite the fact the core brands are much bigger than they were in

00:27:54.523 --> 00:27:58.583

2019. So positive but also the absence of arch is it's

00:27:58.583 --> 00:27:59.623

s quite a drag on the business.

00:28:00.323 --> 00:28:01.973

And then you go into.

00:28:02.763 --> 00:28:05.953

Where we where we set our budget, which was really

00:28:05.953 --> 00:28:09.623

with the post covid without

00:28:09.623 --> 00:28:13.243

t knowledge of sort of the things that Steve and actually without knowledge of

00:28:13.243 --> 00:28:17.163

Ukraine, war and the cost of living. So we built a product

00:28:17.163 --> 00:28:20.403

at the time considered budget, but it was based on

00:28:20.403 --> 00:28:24.443

lot higher sales than we're than we're able to do deliver this year and

00:28:24.443 --> 00:28:25.543

d actually quite cost base.

00:28:26.373 --> 00:28:28.853

So as the sales have come down.

00:28:29.613 --> 00:28:32.833

Would have to address the cost base to some degree because the two have to

00:28:32.833 --> 00:28:36.373

match and we built capabilities around sustainability

00:28:36.373 --> 00:28:38.923

which tool, ecommerce, those things are all part of the plan.

00:28:39.923 --> 00:28:43.103

But without the sales they become a quite an expensive by the bank because

00:28:43.103 --> 00:28:46.323

all of those things tend to have a future payback and actually

00:28:46.323 --> 00:28:49.783

we're living, we're much more drawn into the way here and now

00:28:49.783 --> 00:28:53.093

in the current year. That's the challenge and therefore as we

00:28:53.093 --> 00:28:56.453

e as we saw the challenges of Steve

00:28:56.453 --> 00:28:59.963

outlined in Q1 and his business and we've

00:28:59.963 --> 00:29:03.883

e had elements of destocking appearing across the globe throughout Q2

00:29:03.883 --> 00:29:07.183

2 and Q3 as well as a slowdown in

00:29:07.183 --> 00:29:10.113

consumer demand based on you the energy crisis.

00:29:10.183 --> 00:29:13.963

We're seeing now and on the inflation cards don't always factor playing out across

00:29:13.963 --> 00:29:17.093

the year, especially when we got sort of half year we were then into a

00:29:17.093 --> 00:29:20.393

a radically different album of the business and therefore that's

00:29:20.393 --> 00:29:23.533

where we were starting to build some of those cost savings in which

00:29:23.533 --> 00:29:24.313

are which are delivering.

00:29:25.143 --> 00:29:28.913

But the challenge we now have is that

00:29:28.913 --> 00:29:32.183

Steve's latest news about \$7 million

00:29:32.183 --> 00:29:35.473

Please stop that. Michael has come quite late in the

00:29:35.473 --> 00:29:38.803

year when therefore has given us a real

00:29:38.803 --> 00:29:42.303

moment where you know business as usual efficiencies aren't

00:29:42.303 --> 00:29:45.563

going to match the degree of revenue loss

00:29:45.563 --> 00:29:48.933

But that is that is it is entailing which is why

00:29:48.933 --> 00:29:52.203

we can't save enough to actually keep ourselves in the

00:29:52.203 --> 00:29:55.353

proper essentially. So the lateness of that decision.

00:29:55.413 --> 00:29:59.033

Had two impacts. One is we haven't been able to, we can't

00:29:59.033 --> 00:30:03.043

save enough or banks to actually make ourselves

00:30:03.043 --> 00:30:05.413

properly. And actually we probably can't change our.

00:30:06.213 --> 00:30:09.333

Short term production plan sufficiently to eliminate

00:30:09.333 --> 00:30:12.593

industry, so we've got both a slip into

00:30:12.593 --> 00:30:16.043

a loss and we'll confirm what scale that loss will be when we do

00:30:16.043 --> 00:30:16.363

S2 in the next.

00:30:17.023 --> 00:30:20.553

Couple weeks, but we also slipped even further into negative cash

00:30:20.553 --> 00:30:23.773

directory, both because we're not making the sales and profit

00:30:23.773 --> 00:30:27.883

that we thought it would be, but also because we are not able to

00:30:27.883 --> 00:30:31.163

correct our inventory trajectory, insufficient time

00:30:31.163 --> 00:30:34.693

to release cash from the inventory cycle this year. So a bit of a double whammy

00:30:34.693 --> 00:30:38.093

effect there and that leads into sort of how we plan for

00:30:38.093 --> 00:30:41.443

next year. So those things are coming through we're

00:30:41.443 --> 00:30:43.633

seeing that, but obviously the shock of.

00:30:44.493 --> 00:30:47.853

Quite late news from the US on Michael

00:30:47.853 --> 00:30:50.943

This has proven to be too late in the year

00:30:50.943 --> 00:30:54.213

to make real interventions that are going to change that new

00:30:54.213 --> 00:30:57.663

trajectory that we're on and I understand we're

00:30:57.663 --> 00:31:00.863

e at 9 now September forecast

00:31:00.863 --> 00:31:03.903

or review budget and

00:31:03.903 --> 00:31:07.323

d I know that you'll finance teams are still currently working through that to

00:31:07.323 --> 00:31:10.643

finalize that. Is there any insight coming from that

00:31:10.643 --> 00:31:14.353

his point in terms of the rest of the

00:31:14.353 --> 00:31:14.433

year and?

00:31:14.503 --> 00:31:16.793

And 202030 I think we.

00:31:17.893 --> 00:31:21.463

We took a outlook

00:31:21.463 --> 00:31:24.763

table recently that I think we'll from the sales perspective will

00:31:24.763 --> 00:31:27.483

largely be confirmed by forecast 2.

00:31:28.883 --> 00:31:32.583

And it and it is. I'm just getting lost. But I think we can

00:31:32.583 --> 00:31:35.983

do to soften that loss to some degree that we are now

00:31:35.983 --> 00:31:39.003

deploying into it. So I think whatever happens I think we

00:31:39.003 --> 00:31:42.423

we will be in lost territory and that really is different by an absence

00:31:42.423 --> 00:31:46.093

of science. Good news is I think you called a position

00:31:46.093 --> 00:31:49.203

that's the end of PA seems to be holding

00:31:49.203 --> 00:31:52.523

from a sales perspective, right. So it's sort of not getting any worse and

00:31:52.523 --> 00:31:55.633

therefore the Opex savings that we can deliver

00:31:55.633 --> 00:31:58.773

will soften that the loss of that we had in

00:31:58.773 --> 00:31:58.783

the.

00:31:58.843 --> 00:32:02.163

Spoke to the board, so it's

00:32:02.163 --> 00:32:05.863

a negative story, but it's not getting any worse and the proper perspective it may get a

00:32:05.863 --> 00:32:07.303

a little bit better, but it's still got us.

00:32:09.323 --> 00:32:12.903

Thanks Jonathan for that as well. That's great. I appreciate for

00:32:12.903 --> 00:32:16.093

r the audience that we're actually on time here. So hopefully some

00:32:16.093 --> 00:32:19.573

of you can stay on and if you can't then make sure you

00:32:19.573 --> 00:32:22.903

you watch the recording early next week because there are just a couple

00:32:22.903 --> 00:32:26.973

e of questions to wrap up. Dennis, rudy

00:32:26.973 --> 00:32:27.173

came to.

00:32:27.233 --> 00:32:30.913

Little bit on both from a

00:32:30.913 --> 00:32:34.553

financial business perspective on our current state and you're

00:32:34.553 --> 00:32:37.703

visited Limone recently and you're on

00:32:37.703 --> 00:32:41.133

the factory floor. We were talking about it earlier this week, tell us

00:32:41.133 --> 00:32:44.683

what that was. That's of course we.

00:32:45.493 --> 00:32:48.553

That's when you really

00:32:48.553 --> 00:32:49.173

feel the downturn.

00:32:49.823 --> 00:32:53.003

Right. It's we're all coming to our offices here

00:32:53.003 --> 00:32:56.873

and many places, I'm sure people

00:32:56.873 --> 00:33:00.633

on the call as well and your activity keeps

00:33:00.633 --> 00:33:05.303

ps on going, right? You switch on your computer, you go to meetings, you create

00:33:05.303 --> 00:33:08.493

and do what you have to do, but in the factories, right when

00:33:08.493 --> 00:33:11.843

n there is nothing to do now. Exactly right

00:33:11.843 --> 00:33:15.393

t, there is things to do, but when there is no bus

00:33:15.393 --> 00:33:18.653

right, for example in Lamont where we just a year ago

00:33:18.653 --> 00:33:19.993

we had 140.

00:33:20.103 --> 00:33:24.363

Temp temporary workers and it's buzzing and everybody's busy and it's

00:33:24.363 --> 00:33:28.153

and the thing stops moving around and the ATV's and

00:33:28.153 --> 00:33:31.203

pallets and right then you're the machine. Could, you could, you could

00:33:31.203 --> 00:33:34.753

you, could you, right. That's where business is

00:33:34.753 --> 00:33:38.263

working, right. We might, we might product and the warehouse is

00:33:38.263 --> 00:33:41.723

ull and trucks are coming now that was

00:33:41.723 --> 00:33:44.853

I mean you absolutely significant see it and

00:33:44.853 --> 00:33:49.033

nd feel it that there is significantly less

00:33:49.033 --> 00:33:49.953

ss volumes going through.

00:33:50.033 --> 00:33:54.193

Metrics and so therefore I really feel

00:33:54.193 --> 00:33:57.753

for everybody and in the factories and have so

00:33:57.753 --> 00:34:01.383

much respect for not only how they were able to

00:34:01.383 --> 00:34:05.623

really support the growth and the extreme good demand

00:34:05.623 --> 00:34:09.853

d that we had to use during the pandemic, but also how

00:34:09.853 --> 00:34:13.293

w still everybody is dealing with times

00:34:13.293 --> 00:34:16.623

that are less busy if you want to have

00:34:16.623 --> 00:34:19.663

happy people, if you want to have a good

00:34:19.663 --> 00:34:19.993

run factory.

00:34:20.543 --> 00:34:23.783

Not only through in the factory you need to be busy

00:34:23.783 --> 00:34:27.063

y, right? When you're busy, you live and you produce you're

00:34:27.063 --> 00:34:30.543

great value and you connect with other people, right so

00:34:30.543 --> 00:34:33.813

So it's a very good eye opener for me. And again, thanks everybody in

00:34:33.813 --> 00:34:34.733

he factories for.

00:34:35.473 --> 00:34:37.663

For doing what you're doing, because it's not easy.

00:34:38.943 --> 00:34:42.783

Alright, final question and I guess it's just one that I'm thinking quite

00:34:42.783 --> 00:34:46.193

strongly and I'm sure a lot of people watching this today

00:34:46.193 --> 00:34:49.223

will be thinking the same thing. You know, what can I do or

00:34:49.223 --> 00:34:52.723

what can anyone, any of us do

00:34:52.723 --> 00:34:57.283

to support the challenges that we now face with color? Yeah, so that's

00:34:57.283 --> 00:35:00.383

a good one. Thanks, Garrett. And it's maybe back to my

00:35:00.383 --> 00:35:03.403

own, my own personal mental model

00:35:03.403 --> 00:35:04.733

of how I hopefully lead.

00:35:06.083 --> 00:35:07.553

Based on my balance, right?

00:35:08.263 --> 00:35:11.723

You need to first you need to lead and look after

00:35:11.723 --> 00:35:13.883

r yourself, right? Do I want to be here?

00:35:14.583 --> 00:35:17.783

Do I really apply myself in the way that I'm proud of

00:35:17.783 --> 00:35:21.203

and that I live up to this? Remember how I started the

00:35:21.203 --> 00:35:25.063

town right, your best possible person or

00:35:25.063 --> 00:35:28.293

colleague or lover you can be? Do I really live up to that

00:35:28.293 --> 00:35:31.393

right and have that self aware in the moment of self awareness

00:35:31.393 --> 00:35:35.083

Right. So look after yourself. Lead yourself

00:35:35.083 --> 00:35:38.503

before next step. You lead others, right

00:35:38.503 --> 00:35:39.623

t? You check in, you connect.

00:35:40.373 --> 00:35:43.553

You help solving problems. You give feedback

00:35:43.553 --> 00:35:46.713

for people to learn, right? So there is a and a

00:35:46.713 --> 00:35:49.903

very, very important moment that I've used the word togetherness

00:35:49.903 --> 00:35:53.133

before. One of the town halls like this is the moment for all of us to

00:35:53.133 --> 00:35:56.443

come together. This is the moment to show that wow this

00:35:56.443 --> 00:35:59.803

is is color. I want to be part of this and I give my best not

00:35:59.803 --> 00:36:02.853

t only look after myself, I looked after people around me

00:36:02.853 --> 00:36:05.863

as well and think about people that are going through

00:36:05.863 --> 00:36:09.093

tough times. There are many, right elephants, it's just

00:36:09.093 --> 00:36:09.333

t one example.

00:36:10.003 --> 00:36:16.413

Right. Super proud of how everybody is taking them out. They stay professional

00:36:16.413 --> 00:36:18.683

and are really managing the good way.

00:36:19.633 --> 00:36:23.393

Last step is right, leave the

00:36:23.393 --> 00:36:26.703

business, drive performance right, do the right thing

00:36:26.703 --> 00:36:29.933

and you it and it's a level of consciousness and

00:36:29.933 --> 00:36:33.533

it's maybe you're linking back to how I started the downfall, right? Winning

00:36:33.533 --> 00:36:36.753

rom within. You have all those inner voices in yourself and your

00:36:36.753 --> 00:36:39.963

u dream and you worry and you right and you love and you

00:36:39.963 --> 00:36:42.823

do all this and you think about stuff. But take a step back.

00:36:43.733 --> 00:36:47.403

Focus your to do list what's important make

00:36:47.403 --> 00:36:50.073

ke priorities and make sure that the company.

00:36:51.073 --> 00:36:54.393

With even if we are constrained in our resources and

00:36:54.393 --> 00:36:56.033

we're facing challenging times right that we.

00:36:56.873 --> 00:36:57.643

Do the best we can.

00:36:58.623 --> 00:37:02.403

Thanks for sharing that concept and certainly the

00:37:02.403 --> 00:37:06.323

e notion of togetherness sort of brings true. So thank you, Dennis. Thank

00:37:06.323 --> 00:37:07.993

you, Jonathan. Thank you, Steve in the US.

00:37:08.243 --> 00:37:12.013

That's a wrap. Thank you. Thank

00:37:12.013 --> 00:37:12.373

you, everybody.