



# WALKER GREENBANK

FINAL RESULTS FOR FINANCIAL YEAR ENDED 31 JANUARY 2020

- COVID-19 Update
- Final Results 12 months ended 31 January 2020
- Strategy Update June 2020
- Current Trading and Outlook



## KEY PRIORITIES

- Health and wellbeing of our colleagues, customers, suppliers.
- Following government initiatives to support business and public.
- Following all guidance regarding self-isolation, social distancing and personal hygiene

## ACTION TAKEN

- Majority of the company's employees were furloughed in April.
- Tight control of cash and cost of operations.
- Manufacturing operations and showrooms temporarily closed.
- Phased re-opening of both factories.
- Final dividend cancelled.

## FINANCIAL POSITION

- Financial position and debt capacity demonstrates resilience.
- Enhanced liquidity with one-year £2.5 million overdraft facility.

## IMPACT

- Sharpened strategy, accelerated operational efficiency and cost savings.



## COST AND CASH CONTROL

- **Capital expenditure** – stopped without CEO and CFO approval
- **Final Dividend** cancelled – Dividend policy subject to Board review
- **Pension contributions** – trustees agreement to three months' deferral
- **Corporation Tax** – suspension of quarterly payments in advance
- **Recruitment freeze** and pay cut by 20%
- **Discretionary spend** on hold (marketing, consultant, T&E)
- **Collection launches** on hold

## OPERATIONAL MITIGATION

- **Customer Services** maintained to raise orders and deal with queries
- **Factories** closed down in April and now fully operational
- **Warehouses** operational flexed to demand
- **Credit Control** fully effective
- **Commercial Operations** effective working from home
- **GLT** providing business continuity during lockdown
- **Support Services** working remotely – Finance, HR, IT



# FINAL RESULTS

12 MONTHS ENDED 31 JANUARY 2020

## OPERATIONAL HIGHLIGHTS

- Reshaping of Board completed with the appointment of Michael Williamson as Chief Financial Officer in February 2020; strong senior executive leadership team built during the year.
- Significant progress on the development of the Company's strategy.
- Morris & Co. brand continues to perform strongly, reflecting sustained consumer interest in the Arts & Crafts movement.
- Kravet Inc. appointed in July 2019 to represent the Clarke & Clarke brand in the US with encouraging performance seen to date.
- Clarke & Clarke integration resulted in efficiency and cost-saving initiatives completed with £2m of annualised cost savings of which approximately £1m delivered in the second half of the financial year.
- Total Manufacturing revenues grew by 7.9% (third party 6.1%), with Standfast & Barracks returning to profit after four years of flood disaster recovery.



# FINAL RESULTS

## 12 MONTHS ENDED 31 JANUARY 2020

### FINANCIAL HIGHLIGHTS

- Total Group revenue down 1.6%. Strong growth in core licensing income, the Morris & Co and Clarke & Clarke brands and digital fabric printing were offset by difficult trading conditions in the UK.
- Adjusted underlying\* PBT was down 22.1% at £7.4m in line with expectations.
- Non-underlying costs includes £0.7m relating to the warehouse and back office integration of Clarke & Clarke.
- Adjusted underlying\* EPS down 14.3% at 9.26p.
- Gross margin 61.1% against prior year 59.6% - effect of product sales mix and procurement efficiencies.
- Distribution costs controlled £22.9m versus prior year £23.0m.
- Dividends – Interim paid and final dividend cancelled as a result of COVID 19 risks.

\* Adjusted underlying profit before tax excludes accounting charges relating to share-based incentives, defined benefit charge and non-underlying items.

INCOME STATEMENT	FY 2020 £000	FY 2019 £000	CHANGE
<b>Revenue</b>	<b>111,453</b>	113,286	(1.6%)
Net other income	5,268	5,611	(6.1%)
<b>Underlying profit before tax</b>	<b>6,363</b>	<b>8,831</b>	(27.9%)
Non-underlying items	(1,985)	(3,260)	
<b>Profit before tax</b>	<b>4,378</b>	<b>5,571</b>	(21.4%)
Tax charge	(655)	(1,207)	
<b>Profit for the period</b>	<b>3,723</b>	<b>4,364</b>	(14.7%)
<b>Underlying profit before tax</b>	<b>6,363</b>	<b>8,831</b>	
LTIP accounting charge	395	76	
Net defined benefit pension charge	593	573	
<b>Adjusted underlying profit before tax</b>	<b>7,351</b>	<b>9,480</b>	(22.5%)
Underlying adjusted * EPS	<b>9.26p</b>	<b>10.80p</b>	(14.3%)

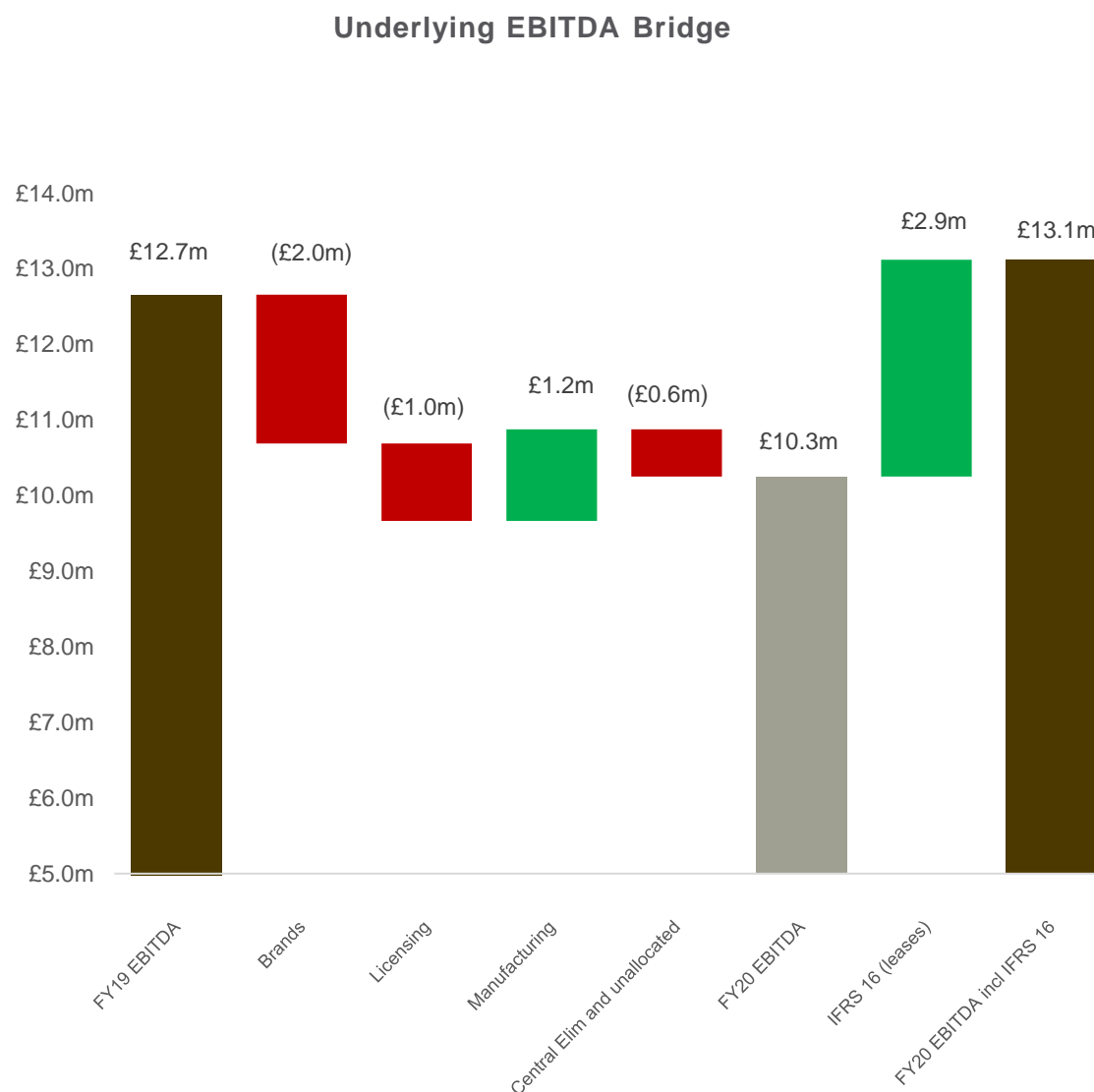
NON-UNDERLYING ITEMS	FY 2020 £000
Amortisation of acquired intangible assets	(1,016)
Restructuring and reorganisation costs relating to C&C	(1,059)
Anstey fire net insurance reimbursement	90
<b>Total non-underlying charges included in profit before tax</b>	<b>(1,985)</b>

- Total Brand product sales down 2.3% in reportable currency, up 0.1% in constant currency.
- Core licensing (excluding upfront payments and apparel, which tend to be one-off in nature) was up 13.9%.
- Licence income in total was down 14.9% due to a one-off collaboration with H&M in FY19.
- UK retail continues to be challenging; sales down 2.8%.
- US LFL sales down 7.1% due to the disruption to Clarke & Clarke distribution following RADG chapter 11.
- Northern Europe sales up 2.1%, direct model in Germany contributing to this growth and strong Morris & Co sales in Scandinavia.
- Total third-party manufacturing sales up 6.1% driven by strong overseas demand up 18.9%.
- Total Manufacturing sales including Group sales up 7.9% in reportable currency.

REVENUE	FY 2020 £000	FY 2019 £000	% CHANGE
Total Brands (inc. licensing)	90,201	93,253	(3.3%)
Manufacturing	35,543	32,933	+7.9%
Internal Manufacturing	125,744 (14,291)	126,186 (12,900)	(0.4%) 10.8%
Group	111,453	113,286	(1.6%)

	Year ended 31 January		Change	
	2020	2019	Reported	Constant currency
UK Brand product sales	£45.0m	£46.3m	(2.8%)	n/a
International Brand product sales	£39.8m	£40.5m	(1.7%)	(2.6%)
-US	£14.4m	£14.9m	(3.4%)	(7.1%)
-Northern Europe	£13.0m	£12.9m	0.8%	2.1%
-Rest of the World	£12.3m	£12.6m	(2.4%)	(1.8%)
Total Brand product sales	£84.8m	£86.8m	(2.3%)	0.1%

- Brands reflects difficult marketplace, particularly in the UK partially offset by growth at Clarke & Clarke.
- Non repeat of prior year contribution from high margin licensing apparel (H&M and Uniqlo) offset by accelerated income (IFRS 15).
- Manufacturing driven by strong export sales, fabric printing sales and overhead recovery due to increased Group volumes - eliminated in part in Central.
- Central costs driven by higher people costs and LTIP charge.
- IFRS 16 Leases – New accounting standard applicable for Y/E 31 January 2020 (operating lease costs replaced with depreciation).



## WORKING CAPITAL

- Driven by accrued accelerated licensing income and increase in patterning books ahead of new launches

## CAPEX

- Includes Anstey investment in a digital printer

## LEASE PAYMENTS

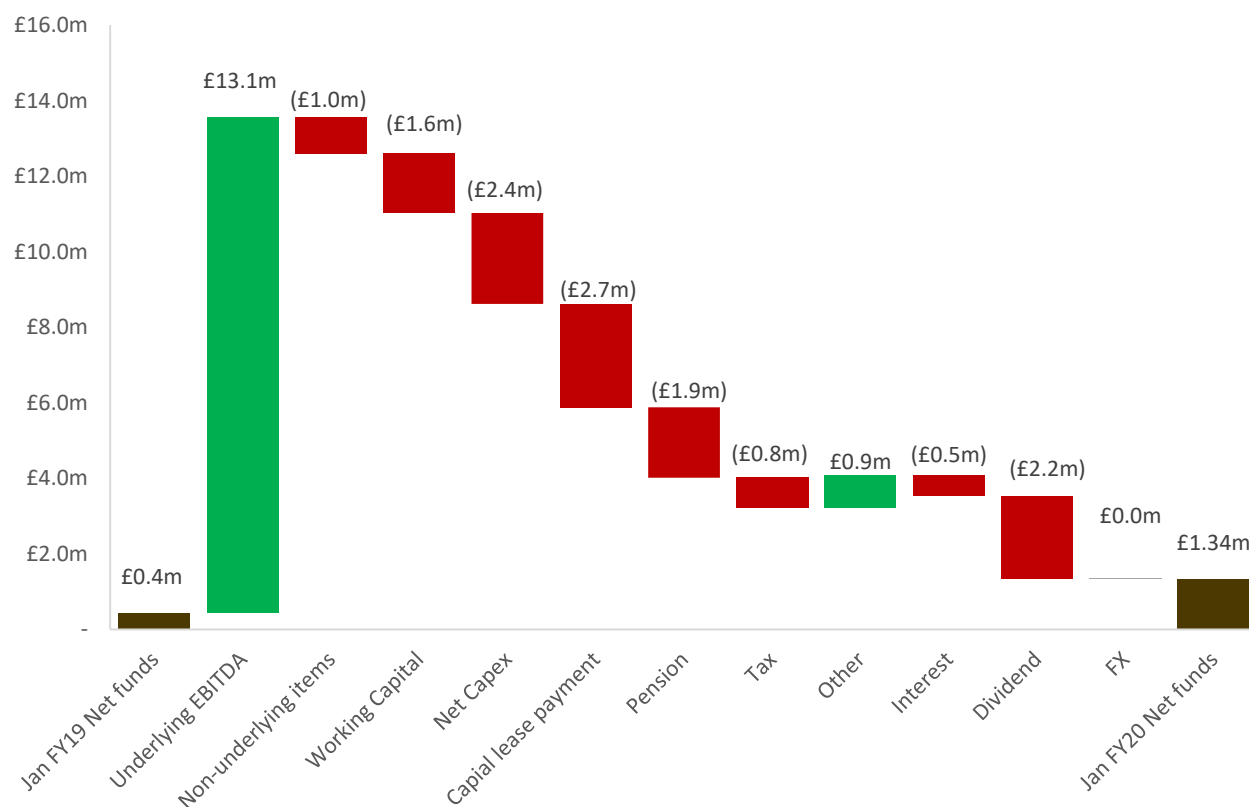
- Comprising capital element of £2.7m and interest of £0.2m

## PENSION

- £1.9m cash contribution to DB schemes
- IAS 19 Balance Sheet liability reduced to £5.7m driven by strong asset performance

## NET DEBT

- Following the adoption of IFRS 16 'Leases', net debt reduced to £7.1m (31 January 2019: £9.2m).
- Excluding impact of IFRS 16 net funds of £1.3m (31 January 2019: net funds of £0.4m)
- Renewed five-year bank facilities to 2024 comprising £12.5m rolling credit facility and £5m accordion
- Additional £2.5m overdraft facility has been agreed to enhance liquidity



# WALKER GREENBANK

STRATEGY REVIEW JUNE 2020

Management reaffirms the key strategic pillars established in 2019, with new priority focus areas:

- Through necessity; responding robustly, and decisively, to the impacts of the COVID-19 pandemic
- Through opportunity; identifying new activities that will accelerate business transformation

Central to this are:

- **Culture** – building on the new team spirit and organisational agility.
- **Communication** - Simplifying our brand and company structure (for customers and colleagues), whilst giving the brands powerful voices to drive consumer demand.
- **Digitalisation** - Putting our customers' needs first in a post- Covid world. Focusing on digitalisation and simplifying the ways we serve customers with enhanced support.
- **Collection management** - creating responsive design, manufacture and distribution.



# OUR STRATEGIC FRAMEWORK IS UNCHANGED

## STRATEGIC FRAMEWORK

Strengthen the foundations, and create long-term sustainable value

### BRANDS

Elevate our brands  
and create  
consumer demand

### PRODUCTS

Focus on Fabric,  
wallpaper, paint and  
homewares

### CUSTOMERS

Digitalisation to  
meet customers'  
needs

### GEOGRAPHIES

Grow UK, USA and  
Northern Europe

### PEOPLE

Nurture talent for the future

### EFFICIENCY

Collection management (Design ROI / SKUs efficiency) and process improvement (reduce waste)

### FINANCIAL HEALTH

Tightly manage inventory and cash whilst continuing to reduce overheads

Revisit, revalidate and develop to ensure execution and delivery

## 15 MONTHS TO JAN'21

- ✓Leadership team effective
- ✓Brands differentiated
- ✓Trade customers stabilized
- ✓CSR immersive program in place
- ✓Kravet distribution showing growth
- ✓Manufacturing analysis complete
- ✓Digital strategy complete
- Website language-enabled – on track
- ✓ Fewer collections launched
- ✓KPI's in place for SKU RO

## 24 MONTHS TO JAN'22

- Return UK sales to growth
- Accelerate US sales growth
- SKUs reduction programme commenced
- ROI per new SKU increase
- CSR progress reduction in emissions
- Continue to drive Core licensing growth
- Reinvigorate contract business
- Focus on paint sales growth
- Brand Engagement increase per social media
- Customer audience built through direct dialogue

## 36 MONTHS TO JAN'23

- All Brands growing
- UK, US and Europe growing
- SKUs reduction
- ROI per SKU continues to improve
- Channel Strategy reviewed by brand
- Retail presence in UK & US
- Contract business growing YoY
- Licence income growing YoY

## CAPEX

Invest in innovative printing techniques and digital printers

## INVENTORY

Tightly manage inventory, optimising the numbers of products launched; Flexible books; Reduce minimum order

## LEVERAGE

New Barclays 5 year RCF and accordion; Gearing objectives, Pension and Lease adjusted, below c.1.5x (IFRS 16)

## CASH

Tightly manage cash through working capital control

## DIVIDEND

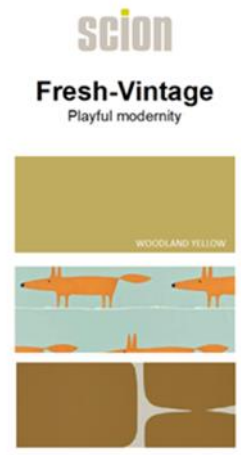
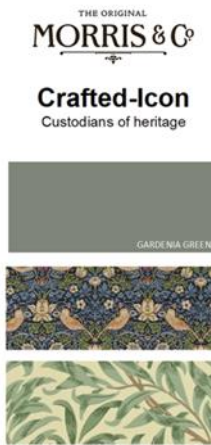
Board remains committed as soon as conditions allow

# ELEVATE OUR BRANDS AND CREATE CONSUMER DEMAND

BRANDS	PRODUCTS	CUSTOMER	COLOURS
Elevate our brands and create consumer demand			

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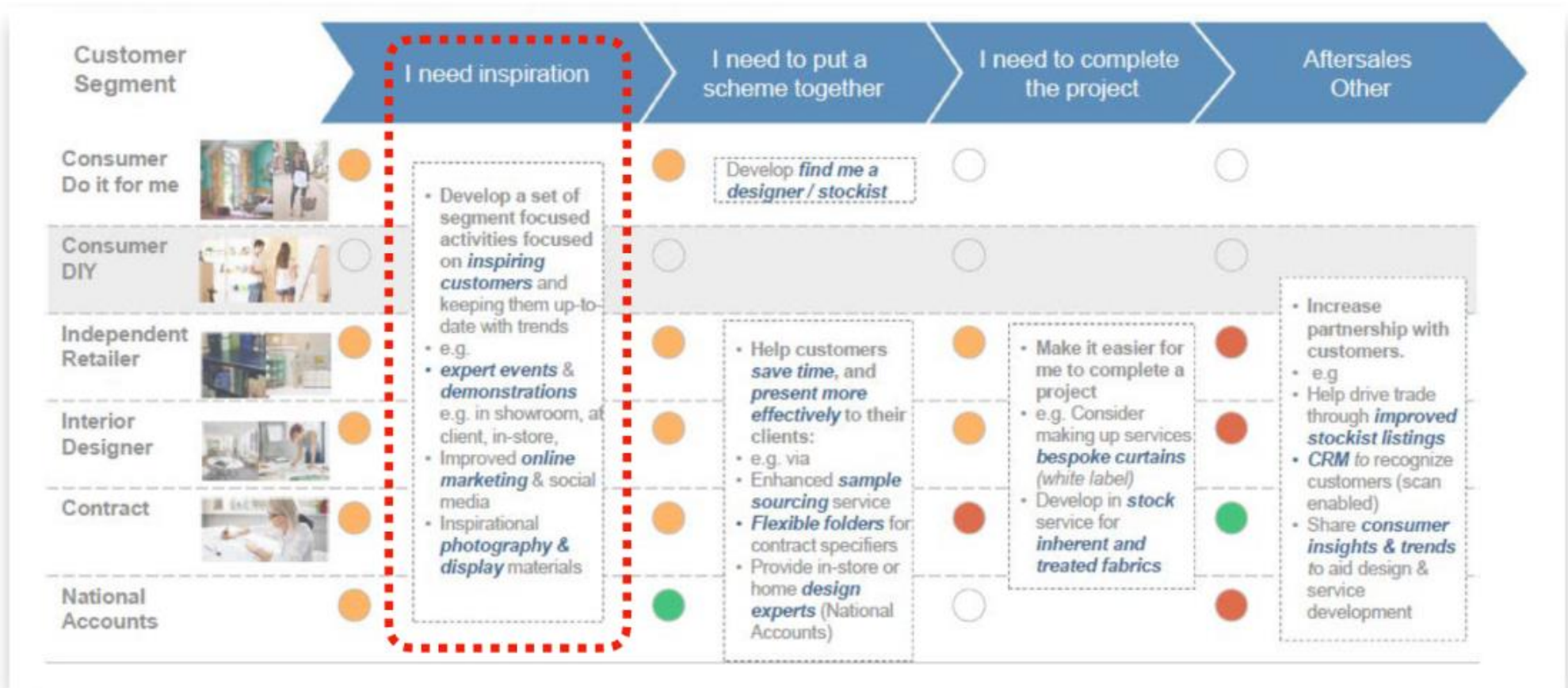
Each brand with its own distinctive 'brand character', to appeal to specific customer groups



**Digitalisation** - putting our customers' needs first in a post- Covid world. Focusing on digitalisation, and simplifying the ways we serve customers with enhanced support.

# FOCUS ON CORE PRODUCTS AND PUT CUSTOMERS' NEEDS FIRST, WITH NEW DIGITAL TOOLS

There are key customer needs to be met around awareness, inspiration, design tools and customer servicing



# ELEVATE OUR BRANDS AND CREATE CONSUMER DEMAND



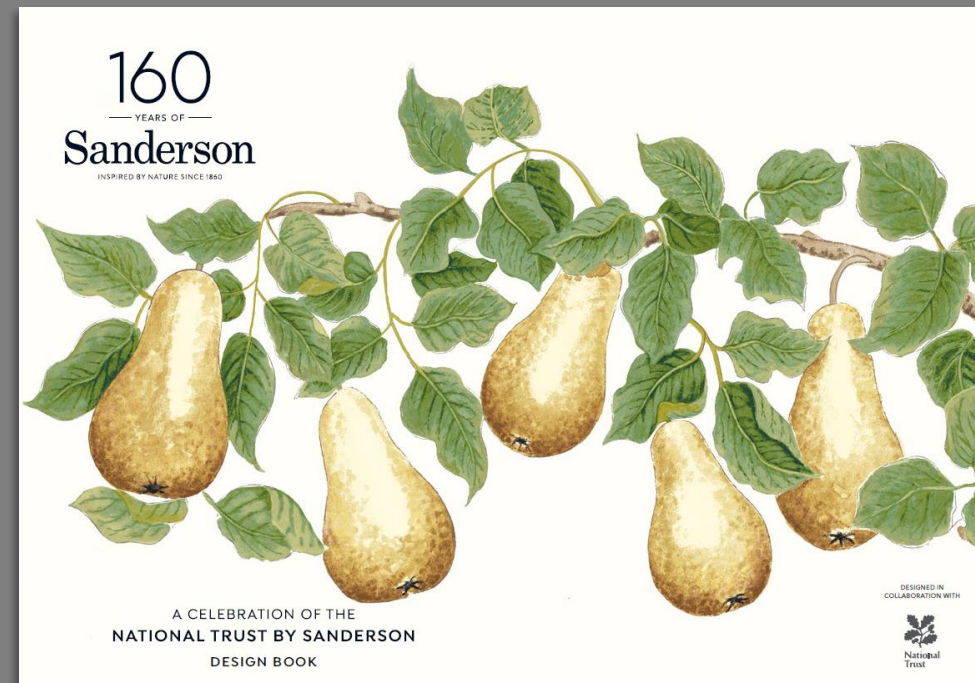
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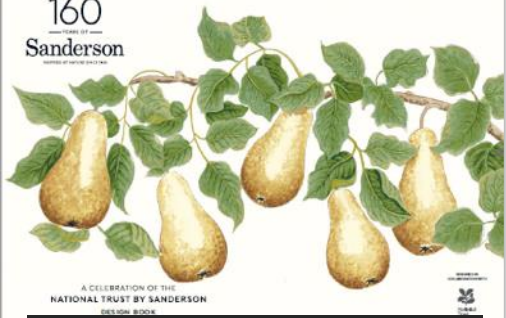
## A NEW CUSTOMER VALUE PROPOSITION – DESIGN CLUB

A new 'Club' with on demand, on the go, design resources, offering unique products and services. Keeping people connected, serving customers better. Reducing traditional pattern books by 50%.

- From stock management, ordering, sampling through to inspiration and trend spotting.
- 'Digital Design Books' for every launch, offering interactive navigation, mood boards; all smart-device optimized.
- Surprise and delight physical moments of joy e.g. beautifully constructed product samples delivered to your door.
- Exclusive digital launch events for each collection.
- Quarterly lifestyle e-zine on design trends and collections.
- Exclusive offers from partners.

Design Club to run as a 'test & learn' approach in '20/'21 with new release in '21/'22.





## DIGITAL NATIONAL TRUST BOOK

Bringing interiors into the 21st century, the new Sanderson National Trust collection was launched with a 'Digital Design Book' offering interactive navigation, mood boards; all smart-device optimized. We have seen a very positive reaction to both versions: (physical and digital):

- 529 Downloads
- 505 NT Fabric Books sold
- 3,154 NT Collection Orders

Connecting Sanderson with customers all around the world, the National Trust webinar offered the opportunity for audiences to engage with our professional stylists and studio designers as they uncovered the stories behind the collection.

- 104 Attendees



## UPCOMING COLLABORATION

Ben Pentreath, renowned architectural interior designer, collaborates with Morris & Co. To create a joyous collection of colour and iconic pattern, new for AW20 – The Queen Square collection.

A seamless meeting of minds between an iconic brand and one of the country's most sought after interior designers, the Queen Square Collection is named after the street that housed the Morris & Co. factory and showroom.

As heritage interiors grow ever more popular, Morris & Co. champions the movement with this new take on universally loved designs from founder William Morris.

- 18 Fabrics & Wallpapers
- Launching September 2020





## TESS DALY X CLARKE & CLARKE

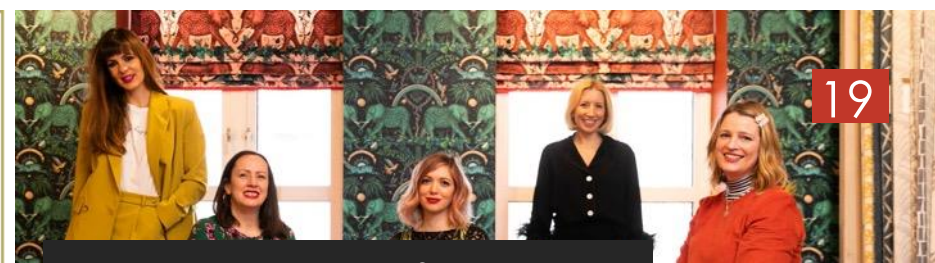
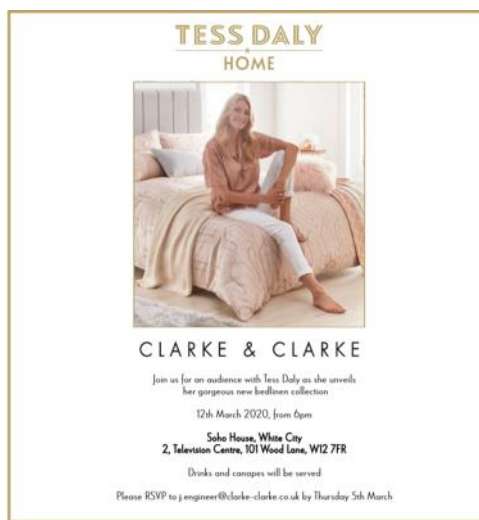
TV personality Tess Daly partnered with Clarke & Clarke to create a glamorous bedding collection, launched with an exclusive event at London's White City house.

The event had an impressive impact resulting in:

- National press coverage
- Social media impressions up 107%
- Social media engagements up 68.7%
- Instagram Story impressions at 32k
- Instagram following increased 20% overnight

Pre-launched exclusively with Next for the first two months of this year, the collection officially launched on 2nd March. Available extensively in retail stores and online, the range appealed to a variety of audiences.

The range has been incredibly well received, especially with online customers and partners, including Next. We have exciting projects including new collection launches with Tess planned over the next three years.



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## WILDERIE – EMMA J SHIPLEY

The Wilderie fabric and wallpaper collections were the long-awaited follow up to the successful Animalia range which was launched in 2018. To complement the launch, we also released a selection of new Emma J Shipley bedding. With international previews at Heimtextil and Paris Deco-Off, the collections were received with excitement.

With a celebratory launch event held at Chelsea Harbour, the collection was promoted with successful collaboration between Clarke & Clarke and four of the industry's premier influencers. Taking a unique approach, we asked each of our influencer to each design an Instagrammable pod to be revealed at London Design Week.

As social media continues to be a hub of inspiration for our end consumers, this bold and exciting collaboration showcased the breadth of beautiful designs from the Wilderie collection. The event was a great success resulting in:

- Combined reach of 338k across Instagram
- Increased 525 followers
- Instagram story impressions of 32k

The two collections have already generated a turnover of £108,000 and an exciting new range of EJS furniture is due to launch next month. Confidence in the collection continues to grow with John Lewis & Partners launching a selection of exclusive EJS bedding designs in July followed by EJS bedding stocked by Anthropologie in September, with everyone excited about the opportunities on the horizon.

# FOCUS ON CORE PRODUCTS AND PUT CUSTOMERS' NEEDS FIRST, WITH NEW DIGITAL TOOLS

BRANDS	PRODUCTS	CUSTOMERS	OPERATING
	Focus on fabric, wallpaper, paint and homewares	Digitalisation to meet customers' needs	

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## KEY CUSTOMERS & CHANNELS MIX

- Partner closely with core customers national
- Promote brands to consumers to drive sales back to the trade
- Enhance services to independent retailers
- Support interior designers by showroom network
- Develop more contract-ready collections by utilising Clarke & Clarke expertise
- Build closer ties with licence partners via collaborations and networking
- Increase average order size
- Expand e-commerce customers, internet traders
- Simplify with automated processes



- Apply a targeted approach to individual brands.
- Engage with major retail partners globally.
- Further develop existing licence partnerships.
- Secure new collaborations.
- **Morris & Co.** expand licensing portfolio and stretch positioning premium to luxury.
- **Sanderson** lifestyle brand seeking global partnerships for the home.
- **Zoffany** build upon licensing portfolio focusing on the US.
- **Harlequin** building a broad base of partnerships to promote colour confidence in the home.
- **Scion** building partnerships with retailers such as NEXT and JLP, whilst building a D2C audience.



# SERVE UK, USA AND NORTHERN EUROPE

BRANDS	PRODUCTS	CUSTOMERS	GEOGRAPHIES
			Grow UK, USA and Northern Europe

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## THE PIVOT



Focus on growing market share in key geographies

### UK & Northern Europe

Reconstruct the commercial team.

### USA

New president

Elevate Zoffany

Develop Kravet relationship with Clarke & Clarke.

Grow regional presence through new agent showrooms in Atlanta and Los Angeles.

### Channels

Roll out of eCommerce, licensing and hospitality contracts, leveraging key brands.



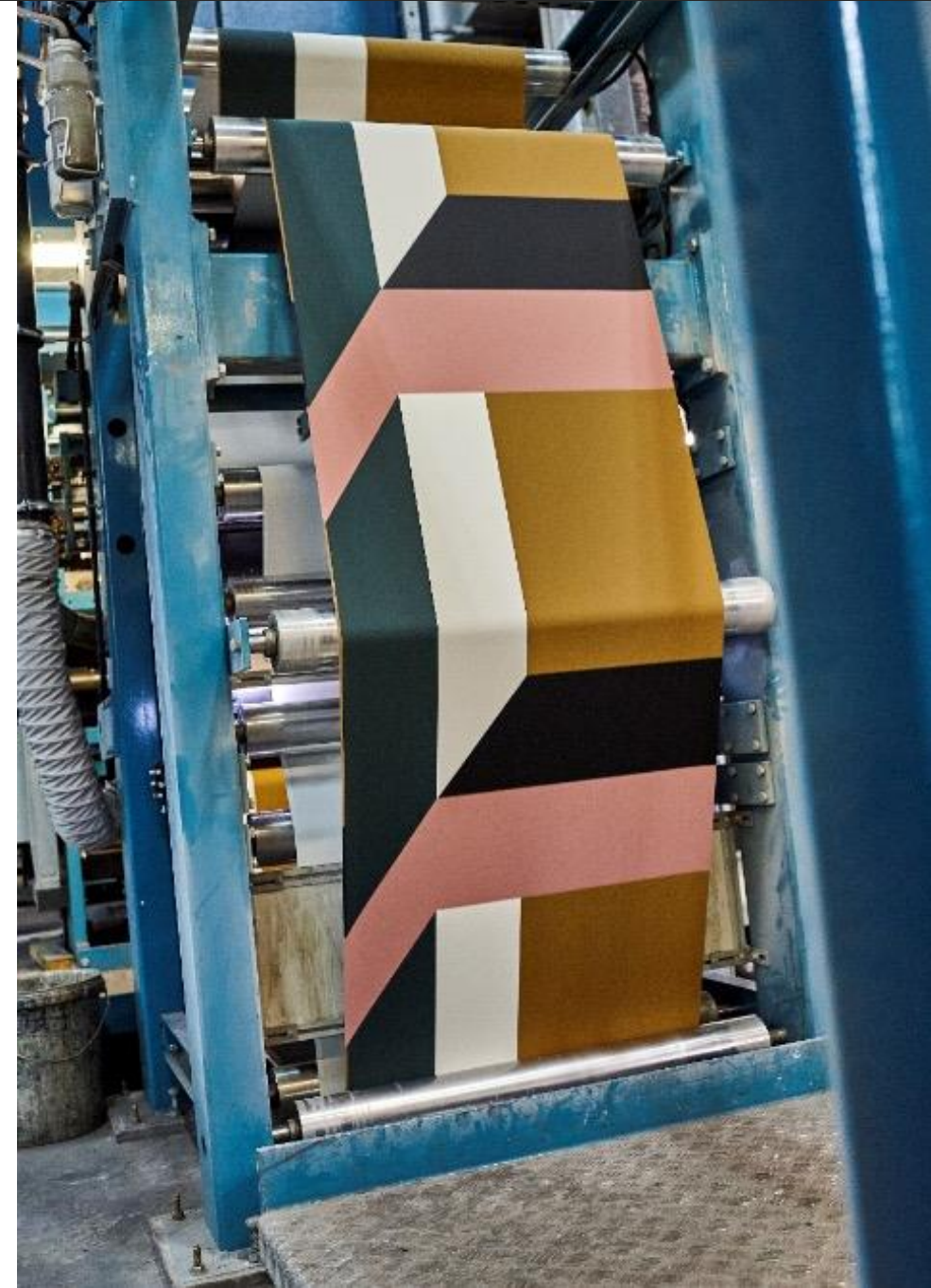
***Collection management***  
*- creating responsive  
design, manufacture  
and distribution.*

## THE PIVOT



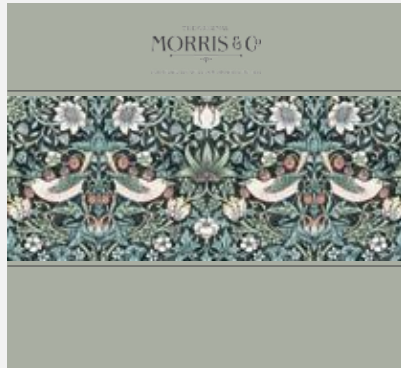
Accelerated SKU reduction and a Vertically Integrated Retail Supply Chain

- Number of collections reduced from 55 average per year to 37 planned for 2020 and actual launched 21.
- Accelerate SKU efficiency plan, reducing from 20k to 12k in 5 years.
- Reduce inventory and complexity with fewer skus.
- Invest in the latest printing technology for long term sustainability.
- Reduce lead times and improve responsiveness.
- Re-organise supply chain process to enable changes.
- We will have a unique, strong integrated vertical retail supply chain aligned to exceed our customers' requirements. Vertical integration will take 5 to 10 years.



## EFFICIENCY

- Reduce SKU's
- Fewer stronger collection launches
- Reduce minimum order
- Improve forecasting
- Right size inventory
- Reduce lead times



## RESPONSIVENESS

- Flexible books
- Digital printing
- Move to Make To Order
- Supply chain review
- Made in Britain
- Cultural mindset
- Focus on core skills



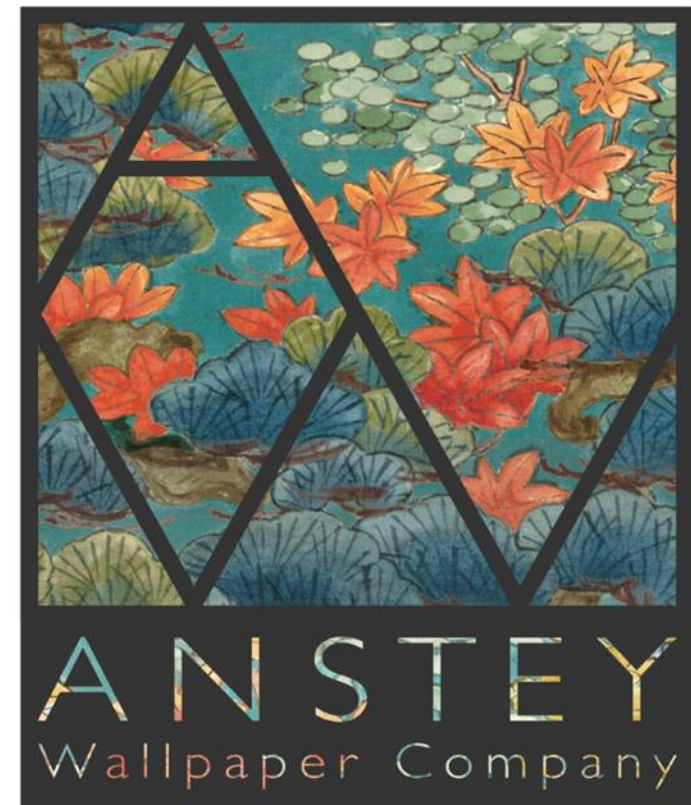
## INNOVATION

- Invest in new tech
- New digital printers
- Develop new finishes
- Invest in design
- Creative marketing



## ANSTEY

- Producing 1.4m rolls pa or 14,000km of finished product
- In FY20 Anstey generated £18.9m revenue and £2.8m EBITDA.
- Broad print profile – handblock, every type of machine print, through to high end digital.
- Planning careful investment in cutting edge technology to stay ahead of the Digital Web.
- Moving towards carbon neutral operations with net zero emissions, whilst increasing profitability.



## STANDFAST

- In FY20 Standfast & Barracks produced 1.7m metres, generating £17.2m revenue and £2.6m EBITDA.
- Presented with the Queen's Award for International Trade 2020 for Outstanding Growth in overseas sales over the last three years.
- Continued very strong growth in Digital sales; year on year growth of 13%, accounting for 59% of print value.
- More of Group own brand launches will be with Standfast & Barracks.



***Culture*** – *building on  
the new team spirit and  
organisational agility.*

## PURPOSE, PROMISE, VALUES, BEHAVIOURS



Values, Behaviours shapes our Culture

### **Purpose & Promise The “Why”**

Reason for being,  
Why we do what we do.  
What we offer our  
customer

To bring the beautiful  
into people's homes  
and lives

### **Values The “What”**

The qualities that we  
embody

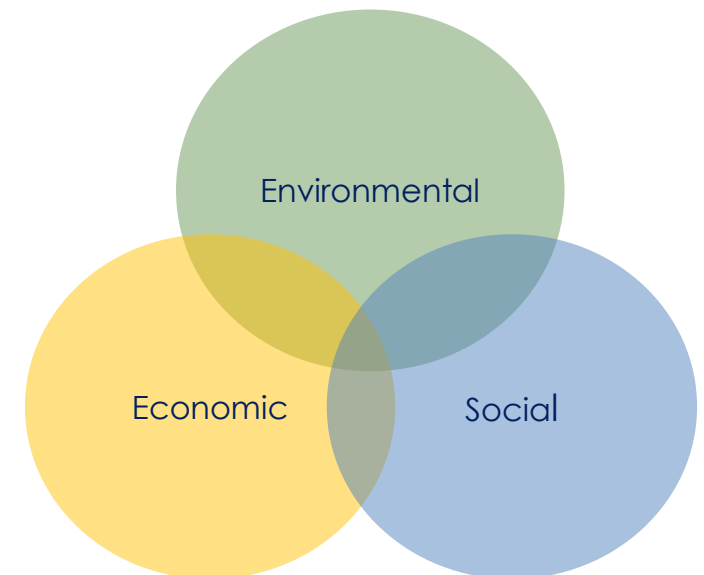
Intrepid  
Imaginative  
Respectful

### **Behaviours The “How”**

The DNA of how we  
show up when we  
are at work

Accountable  
Agile  
Collaborative

- Our responsibility to our people, our environment and our society in which we operate is at the core of our activities, vision and values. This is reflected in how we work across the group.
- Health and Safety is our first priority. It is a simple statement that our teams should have the complete confidence that the way we operate will have their safety at the core of our approach.
- As a measure of how we are continuing to deliver on our commitments to improve the broader environment, we are delighted to have been awarded the Planet Mark Certificate, based on carbon reduction of 5% year-on-year.
- We are proud to be British manufacturers. Not only does this mean we control far more of our supply chain directly we are also having a direct positive social impact on our local communities by providing employment.

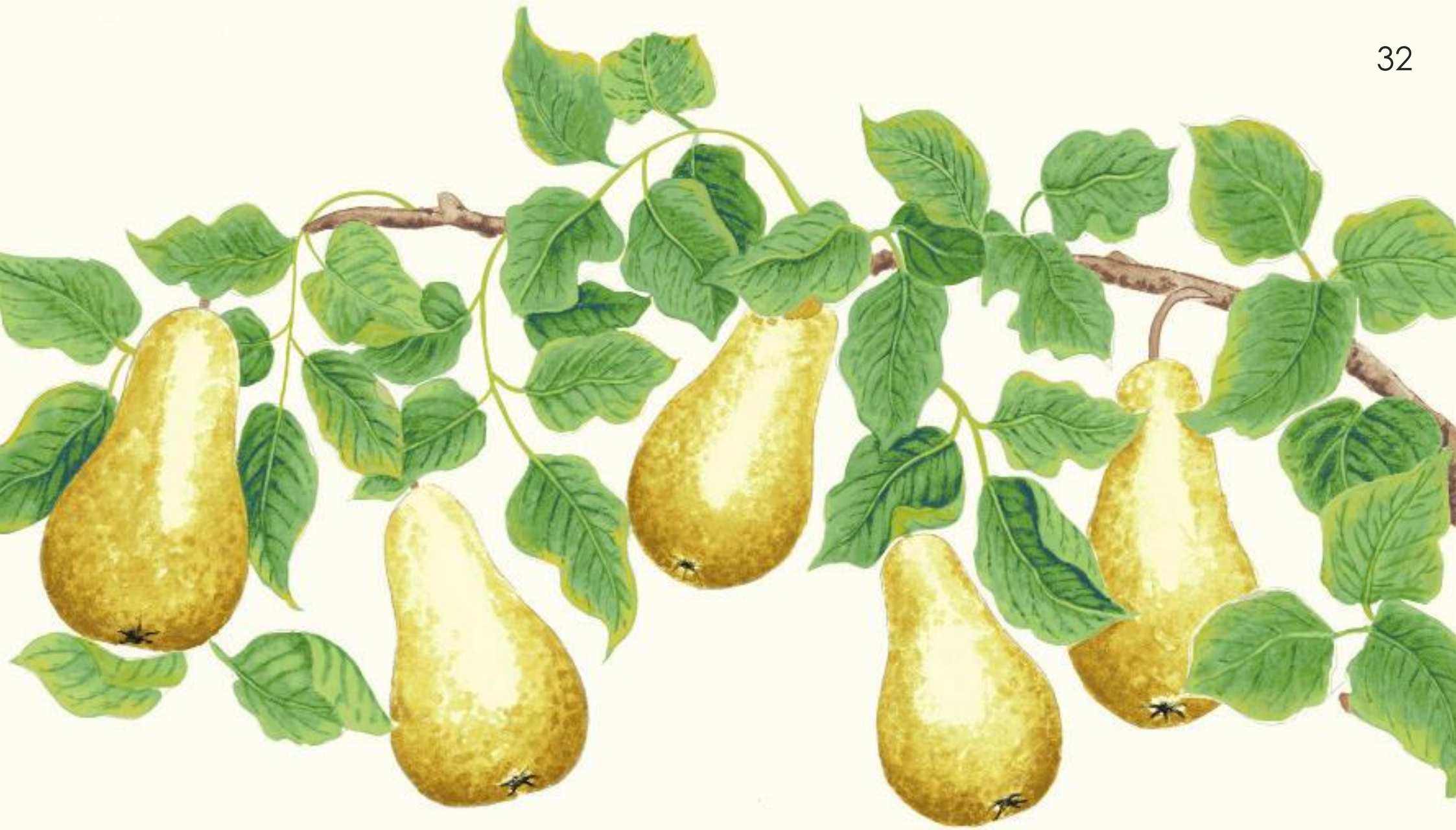


"Covid-19 has significantly impacted the start of the Company's current financial year. Whilst our factories were temporarily closed, our warehouses in Milton Keynes and New Jersey remained open and we have continued to fulfil customer orders throughout the year to date. With the phased reopening of our factories, and lockdowns being progressively released in our target markets, there are initial signs of trade improving, albeit at a level below last year."

"In the first five months of our financial year, product sales were approximately 35% below the same time last year. Online and international product sales channels have performed better than our UK average. Product sales in the past four weeks have been approximately 31% below the same time last year but ahead of management expectations. This reflects a steadily improving trend since the start of April."

"The Company will provide a further update on its trading performance at the Annual General Meeting which is expected to take place on 29 July 2020. Given the uncertainty generated by the Covid-19 pandemic and the longer lasting economic consequences, we are not in a position at this stage to provide specific guidance for the financial year ending 31 January 2021."





## APPENDICES

GROUP	AS AT FY 2020 £000	AS AT FY 2019 £000
<b>Non-current assets</b>		
Intangible assets	<b>29,815</b>	30,816
Property, plant & equipment	<b>14,101</b>	15,227
Right-of-use asset	<b>8,392</b>	-
	<b>52,308</b>	<b>46,043</b>
<b>Net current assets</b>		
Inventories	<b>28,456</b>	28,020
Receivables	<b>20,543</b>	18,857
Current liabilities	<b>(22,940)</b>	(21,839)
Deferred income tax liabilities	<b>(802)</b>	(970)
	<b>25,257</b>	<b>24,068</b>
<b>Funds</b>		
Net Funds / (Debt)	<b>1,236</b>	434
Finance lease liabilities	<b>(8,413)</b>	-
Retirement benefit obligation	<b>(5,659)</b>	(9,663)
<b>Net assets</b>	<b>64,829</b>	<b>60,882</b>
<b>Capital and reserves</b>		
Share capital	<b>710</b>	710
Share premium account & other reserves	<b>58,624</b>	58,780
Retained earnings	<b>5,495</b>	1,392
<b>Equity shareholders funds</b>	<b>64,829</b>	<b>60,882</b>

GROUP	FY 2020 £000	FY 2019 £000
<b>Underlying EBITDA</b>	<b>13,124</b>	<b>12,660</b>
Non-underlying items	(969)	(2,244)
<b>Reported EBITDA</b>	<b>12,155</b>	<b>10,416</b>
Insurance reimbursement	(144)	(650)
Insurance proceeds relating to operating activities	144	650
Working Capital	(1,559)	2,561
Other (*)	(1,253)	(399)
Net interest	(547)	(270)
Tax	(798)	(821)
<b>Cash from operating activities</b>	<b>7,998</b>	<b>11,577</b>
Capital expenditure	(2,411)	(2,783)
Capital element of lease payments	(2,490)	-
<b>Free cash flow</b>	<b>3,097</b>	<b>8,794</b>
Dividend	(2,179)	(3,102)
Opening Cash	434	(5,263)
FX on cash held	(16)	7
<b>Net funds</b>	<b>1,336</b>	<b>434</b>

\* Includes share based payments charge, Pension, impairment of fixed assets and unrealised exchange gains.

- New accounting standard IFRS 16 'Leases' applicable for Y/E 31 January 2020
- The Group has adopted the standard with no restatement of comparatives
- Resulted in a number of leases (vehicles & property) previously accounted for as operating leases being capitalised within fixed assets as Right of Use (ROU) asset and depreciated over lease term with a corresponding lease liability and interest charge

## IMPACT

- Purely an accounting change, PBT increase by £26k as rental charge is replaced by depreciation and interest charges, with no impact on either cash flows or how the business is managed.
- Fixed asset and net debt increased by c.£8m
- Covenants unaffected



- IAS 19 Pension deficit £5.7m (2019: £9.7m), decrease driven by strong asset performance
- P&L charge £593k (2019: £573k)
- Recovery plan cash contributions £1.7 - £1.9m p.a. to eliminate shortfall by October 2026
- Next Pension valuation 5 April 2021

	2020
	£000
Deficit at beginning of the year	(9,663)
Scheme expenses	(370)
Interest cost	(1,870)
Expected return on plan assets	1,647
Contributions	1,870
Return on scheme assets	11,561
Experience adjustments on benefit obligation	(359)
Actuarial loss from the change in financial assumptions	(8,996)
Actuarial loss from the change in demographic assumptions	521
Gross deficit at the end of the year	<u>(5,659)</u>



## THE BOARD OF DIRECTORS



DIANNE THOMPSON  
CHAIRMAN



LISA MONTAGUE  
CEO



MICHAEL WILLIAMSON  
CFO



CHRISTOPHER ROGERS  
NED



VIJAY THAKRAR  
NED

# GROUP LEADERSHIP TEAM

38

