Clipper

A market leader in retail logistics

2017 Interim Results Presentation

7 December 2017

Logistics evolved: Agility and Ability

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Agenda

1. Highlights – Steve Parkin
2. Financial review – David Hodkin
3. Operational review – Tony Mannix
4. Summary and Q&A – Steve Parkin

1 Highlights

Highlights

- Group revenue growth of 21.1% to £199.7m (2016: £164.9m)
- Group EBIT growth of 19.4% to £9.2m (2016: £7.7m)
- Interim dividend of 2.8p per share, up 16.7% (2016: 2.4p)
- Acquisition of Tesam and RepairTech completed and immediately earnings-enhancing
- Clicklink click & collect network extended to other retailers including SuperGroup and Urban Outfitters
- New operations launched including ASOS returns in Poland, River Island and The Edinburgh Woollen Mill Group
- Continued organic growth particularly in ecommerce-related activities
- Strong pipeline of new business opportunities

2 Financial review

Financial Highlights

- Group revenue growth of 21.1% to £199.7m (2016: £164.9m), driven by strong growth in all divisions
- Group EBIT growth of 19.4% to £9.2m (2016: £7.7m)
    - E-fulfilment and returns management services – EBIT of £5.3m, up 25.7% (2016: £4.3m)
    - Non e-fulfilment logistics – EBIT of £6.3m, up 6.3% (2016: £5.9m)
    - Commercial vehicles – EBIT of £1.4m, up 13.5% (2016: £1.3m)
    - Profit before tax and amortisation up 21.0% to 8.4m
- EPS of 6.3p, up 18.9% (2016: 5.3p)
- Interim dividend of 2.8p per share, up 16.7% (2016: 2.4p)
- Acquisition of Tesam and RepairTech completed and immediately earnings-enhancing

Note: The highlights are for the 6 months ended 31 October 2017, as compared to the 6 months ended 31 October 2016

Summary Income Statement

£m	6m to 31 October 2016	6m to 31 October 2017	Change %	Year to 30 April 2017
Revenue	164.9	**199.7**	***21.1%***	340.1
Cost of sales	(117.3)	**(142.1)**		(241.1)
Gross profit	47.6	**57.6**	***20.9%***	99.0
Other net gains	0.1	**0.1**		0.4
Admin expenses	(40.1)	**(48.3)**		(81.9)
Operating profit before share of equity-accounted investees, net of tax	7.6	**9.4**	***19.4%***	17.5
Share of equity-accounted investees, net of tax	-	**(0.6)**		0.2
Operating profit	7.6	**8.8**	***16.2%***	17.7
EBIT	7.7	**9.2**	**19.4%**	17.9
Less: amortisation of other intangible assets	(0.1)	**(0.5)**		(0.2)
Share of tax and finance costs of equity-accounted investees	-	**0.1**		(0.0)
Operating profit	7.6	**8.8**		17.7
Net finance costs	(0.8)	**(0.9)**		(1.6)
Profit before tax	6.8	**7.9**	***15.6%***	16.1
Income tax	(1.5)	**(1.7)**		(3.6)
Net income	5.3	**6.3**		12.5
Earnings per share (p)	5.3	**6.3**	***18.9%***	12.5
Interim dividend per share (p)	2.4	**2.8**	***16.7%***	-

- Strong top-line performance in the period driven by all business units
- Key EBIT metric saw continuing strong growth of 19.4%, again driven by all business units
- Finance cost up slightly, due to acquisitions
- Profit before tax and amortisation up 21.0% to 8.4m (2016: 6.9m)
- Profit before tax ahead by 15.6% to £7.9m (2016 - £6.8m)
- EPS ahead by 18.9% to 6.3p (2016 – 5.3p)
- Interim dividend up 16.7% to 2.8p (2016 – 2.4p)

Segmental performance

Revenue

£m	6m to 31 October		Change
	2016	**2017**	*%*
E-fulfilment logistics	58.9	**76.1**	*29.2%*
Non E-fulfilment logistics	61.3	**65.7**	*7.2%*
Total logistics	120.2	**141.8**	*18.0%*
Commercial vehicles	45.6	**58.8**	*28.9%*
Inter-segment sales	(0.9)	**(0.9)**	
Group total	164.9	**199.7**	*21.1%*

EBIT

£m	6m to 31 October		Change
	2016	**2017**	*%*
E-fulfilment logistics	4.3	**5.3**	*25.7%*
Non E-fulfilment logistics	5.9	**6.3**	*6.3%*
Central logistics costs	(2.6)	**(2.5)**	
Total logistics	7.6	**9.1**	*18.9%*
Commercial vehicles	1.3	**1.4**	*13.5%*
Head office costs	(1.2)	**(1.3)**	
Group total	7.7	**9.2**	*19.4%*

- Strong growth in all aspects of Logistics:
  - Continuing organic growth with existing customers, particularly in e-fulfilment (e.g. ASOS, John Lewis and Wilkinsons)
  - Full year benefit of prior year contract wins (e.g. ADC for John Lewis, returns for M&S, new brands for a major international retailer)
  - New contracts brought on stream (e.g. Westwing, ASOS returns in Poland, EWM and Secret Sales)
  - Storage and packing of high value products
- Continued Investment in solutions development and IT infrastructure
- Commercial vehicle growth driven by both new vehicle sales and aftersales
- Share based payment charges increased by £0.2m
- Acquisition of Tesam and RepairTech immediately earnings enhancing

Summary cash flow statement

£m	6m to 31 October 2016	2017	Year to 30 April 2017
EBIT	7.7	**9.2**	17.9
Depreciation & Amortisation	2.2	**3.4**	5.1
Other non-cash items[1]	(0.1)	**1.2**	0.6
Change in working capital	2.5	**(1.2)**	2.0
Cash generated from operations	12.3	**12.6**	25.7
Net interest paid	(0.7)	**(0.9)**	(1.6)
Tax paid	(1.5)	**(2.0)**	(3.2)
Net cash flows from operating activities	10.1	**9.7**	20.8
as % of EBITDA[2]	*103%*	***76%***	*91%*
Net capital expenditure	(5.6)	**(3.6)**	(2.3)
Investment in joint venture	(2.0)	**-**	(2.0)
Acquisition of subsidiaries	-	**(11.8)**	-
Net cash flows from investing activities	(7.6)	**(15.4)**	(4.3)
Loan advance to joint venture	(0.3)	**-**	(1.4)
Net drawdown of bank loans	4.9	**14.1**	(6.0)
Finance leases advanced	2.1	**-**	4.9
Repayment of capital on finance leases	(2.7)	**(3.7)**	(5.7)
Shares issued	-	**0.2**	-
Dividends paid	(4.0)	**(4.8)**	(6.4)
Net cash flows from financing activities	0.3	**5.8**	(14.6)
Net increase / (decrease) in cash & cash equivalents	2.5	**0.1**	2.0

1. *Other non cash items comprise share of equity-accounted investees, share based payments, exchange differences and movement in fair value of derivatives*
2. *EBITDA calculated as EBIT plus depreciation and amortisation*

- EBITDA ahead 27.3%
- Working capital outflow due to one late customer payment of £1.6m
- Strong underlying cash flow and cash conversion
- Majority of capex is back-to-back with agreements by customers to repay the capital through open-book contract mechanisms

Summary balance sheet

£m	6m to 31 October 2016	6m to 31 October **2017**	Year to 30 April 2017
Intangible assets	24.8	**36.8**	24.8
Property, plant & equipment	38.3	**46.7**	38.9
Interest in equity-accounted investees	2.0	**1.6**	2.2
Non-current financial assets	-	**1.4**	1.4
Deferred tax assets	-	**-**	0.3
Non-current assets	65.1	**86.5**	67.6
Inventories	37.2	**30.9**	30.0
Trade & other receivables	57.5	**70.8**	47.7
Cash & cash equivalents	1.5	**0.9**	0.9
Current assets	96.2	**102.6**	78.6
Trade & other payables	102.4	**110.6**	85.1
Borrowings	6.7	**7.8**	7.4
Short term provisions	0.1	**0.3**	0.1
Current tax liabilities	1.8	**1.9**	2.2
Current liabilities	111.0	**120.6**	94.8
Borrowings	24.9	**33.3**	20.0
Long term provisions	0.8	**1.4**	1.3
Deferred tax liabilities	-	**1.3**	-
Non-current liabilities	25.7	**36.0**	21.3
Net assets	24.6	**32.5**	30.1

- Acquisition of Tesam (May) and RepairTech (June)
- Investment in fixed assets largely to support new open-book contracts under which capital will be repaid over the term of the contract
- Net debt £38.8m, in-line with the Board's expectations

3 Operational review

Overview

The Group's strategy is set around four key principles – all of which have seen positive developments during the period under review:

- Build on Clipper's market leading customer proposition and continue to expand the customer base
- Continue European expansion through our profitable German platform
- Develop new, complementary products and services
- Consider complementary acquisition opportunities

E-fulfilment and Returns Management Services

The positioning of Clipper as a retail solution provider has generated new contracts:

- Secret Sales
- Westwing
- ASOS – returns facility created in Poland - *Boomerang*
- M&S – further product group expansion
- Fenty Cosmetics within Harvey Nichols
- River Island – returns management – *Boomerang*
- M&S – national returns centre project – *Boomerang*
- *Clicklink* - third party "onboarding" continues – Superdry, Urban Outfitters, Anthropologie, Ted Baker (into JLP), Inditex (Pull & Bear and Bershka) and Jaeger are now "live"

- The Ollerton site has been extended (60ksqft) to accommodate further Wilko growth
- The ADC site has been extended (140ksqft) to be ready for anticipated growth in customer activity
- Extended contracts with ME+EM and Browns
- We have a strong pipeline of opportunities to work through in 2018
- Completed the acquisition of RepairTech – immediately earnings enhancing

Non E-fulfilment

A further strong performance in the period.

- Set up a store fulfilment operation for Store Twenty One
- Further developed the Store Returns Centre solution for M&S
- Successfully started the transport solution for the Edinburgh Woollen Mill group of companies – EWM, Ponden Mill, Viyella, Jane Austen, Peacocks & Jaeger. Over 1000 stores across UK and Eire
- Implemented the BAT Vype solution
- Commenced the transport solution for Crosswater Holdings
- Completed the acquisition of Tesam – immediately earnings enhancing

STORE TWENTY ONE

M&S EST. 1884

The Edinburgh Woollen Mill

crosswater

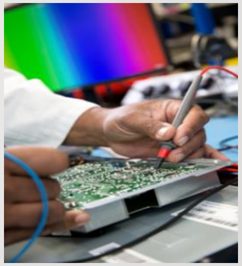
RepairTech & Servicecare

Both businesses are now fully integrated into the Clipper family and have a Clipper “look and feel" running through their websites etc. whilst retaining their brand names

Servicecare part of the Clipper group

RepairTech part of the Clipper group

- Samsung are training the team to handle high-end LED equipment
- HiSense, the fastest growing global TV brand, have selected RepairTech as their UK partner
- Foxconn (Sharp) have selected RepairTech as their UK partner
- VESTEL have selected RepairTech as their UK partner
- JLP have appointed us for extended guarantee work on Nintendo, Toshiba and Linsar TV
- The Southam RepairTech facility is being extended to double capacity
- We have secured a new contract with Anker (the largest supplier of small electronics to Amazon) which will see us handle all return/refurbishment activity for sale on the Amazon certified refurbishment solution
- We are also now providing services to Karcher and AO



Team Development

We have developed a number of initiatives throughout the period to further enhance Clipper as an employer of choice:

- Created a senior management role focused on Learning & Development
- Created a senior management role focused on Talent Acquisition
- Relaunched the Graduate scheme and refocused attention on key universities and the Novus Trust
- Developed the Competency Framework across all levels of the management team
- Developed the Intranet and have worked to enhance internal communication

Industry Awards in Period

- Reverse Logistics Award (ASOS Bridal-wear) – Supply Chain Excellence Awards 2017
- Supply Chain Leader of the Year 2017 – Retail Week Supply Chain Awards

Black Friday – A Few Observations

- **More than a third of UK sales were made on mobiles this Black Friday**, with 15% made via tablet and 49% made from desktops. 60% of all sales made between 6 and 9am in the UK on Cyber Monday were made from mobiles or tablets.
  Cyber Weekend 2017: The year mobile toppled desktop for sales
  https://www.campaignlive.co.uk/article/cyber-weekend-2017-year-mobile-toppled-desktop-sales/1451276

- **John Lewis achieved a daily sales record on Black Friday**: sales at the store rose 7.2% in the week to 25 November compared with the same week last year to hit a weekly high of £214.3m. Beauty products sold particularly well, with sales up 27.5%, electrical products and women's fashion were up 9.7% and 8.3% respectively.
  John Lewis defies the gloom to hit Black Friday sales record
  https://www.theguardian.com/uk-news/2017/nov/28/john-lewis-defies-the-gloom-to-hit-black-friday-sales-record

- The amount spent on UK online retail sales on **Black Friday 2017 was up 11.7% to £1.39bn** according to IMRG – up 9% on forecast. IMRG Black Friday 2017

4 Summary and Q&A