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# **RAMSDENS**

**HELPING YOU WITH  
EVERYDAY LIFE**

## **Ramsdens Holdings PLC**

**Interim Results for the six months ended 30 September 2018**

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# Ramsdens overview

## Complementary product offering

The Group is a growing diversified financial services provider and retailer

### Business segments

-  Foreign Currency Exchange (FX)
-  Pawnbroking
-  Purchases of Precious Metals
-  Jewellery Retail
-  Other Services (including cheque cashing)



NB. The Group does not offer unsecured personal loans often referred to as high cost short term credit

## Financial Highlights



### Profitable and cash generative

- Underlying PBT of £5.1m
- Underlying EBITDA of £5.8m
- Basic EPS of 13p
- Invested cash in new stores capex, PB loan book growth, jewellery inventory
- Paid final FY18 dividend of 4.4p (£1.4m) in the period



### Strong balance sheet

- Net Assets of £30.3m (up £2.7m on 31 March year end position)
- Net Cash of £12.4m
- Strong current asset categories (PB loans secured on jewellery and jewellery stock, all underpinned by intrinsic value of metal and precious stones)

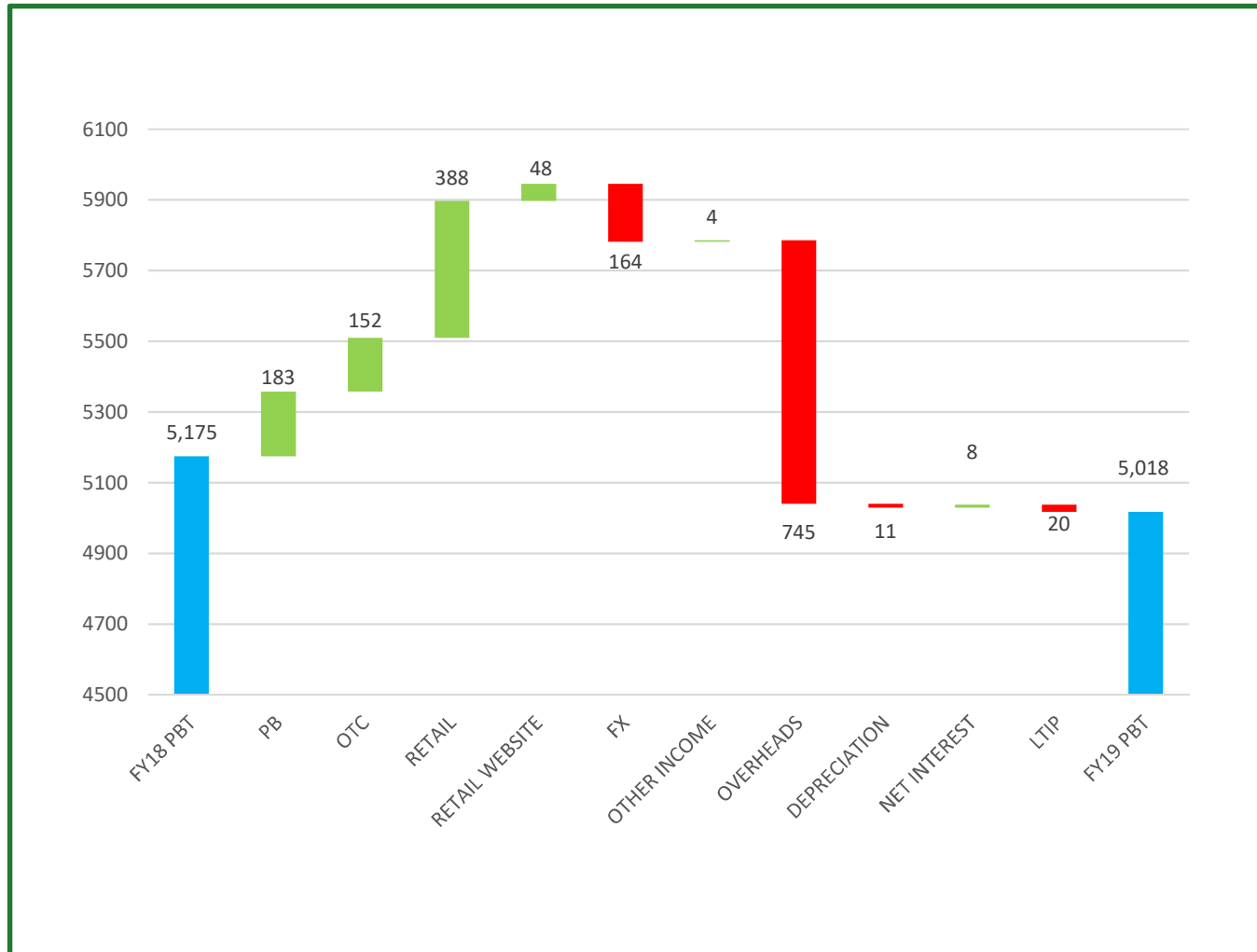


### Growing dividend

- Interim dividend increased by 0.2p to 2.4p (9%)

# Strategic and Operational Highlights

PBT H1 FY18 Bridge to H1 FY19



- Excellent jewellery retail progress
- Solid pawnbroking performance
- Tough period for FX given exceptional UK weather / no comparable Easter
- Precious metals weight purchased flat in the established estate
- Investments made in staff skills and headcount to support growth
- Online retail revenue up 126%
- Online click and collect FX volume up 26%
- Continued development of store estate:
  - 2 stores relocated
  - 4 stores opened in the Period, 4 stores opened in H2 FY18 and 4 stores opened since Period end.

## ***FINANCIAL REVIEW***

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## Summary profit & loss

- Underlying profit before tax down 3%, in line with expectations
- Administrative expenses increased 7% as a result of new stores and increasing HO head count to manage the growth strategy
- Earning per share of 13p

### Underlying profit before tax

<i>£000s (6 months to 30 September)</i>	H1 FY19	H1 FY18	% Change	FY 18
Profit before tax	5,018	5,175	(3%)	6,312
LTIP share based payments	101	81	-	161
Adjusted profit before tax	5,119	5,256	(3%)	6,473

### Consolidated profit & loss

<i>£000s (6 months to 30 September)</i>	H1 FY19	H1 FY18	% Change	FY18
Revenue	23,934	21,758	10%	39,942
Cost of sales	(7,207)	(5,642)	28%	(11,595)
Gross profit	16,727	16,116	4%	28,347
Administrative expenses	(11,655)	(10,879)	7%	(21,937)
Operating profit	5,072	5,237	(3%)	6,410
Finance costs	(88)	(105)	(16%)	(177)
Gain on fair value of derivative financial liability	34	43	(21%)	79
Profit before tax	5,018	5,175	(3%)	6,312
Income tax expense	(1,013)	(1,034)	(1%)	(1,278)
Profit after tax for the period	4,005	4,141	(3%)	5,034

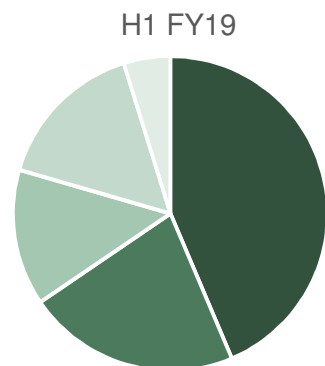
## Business segments

### Diversified and growing revenue streams

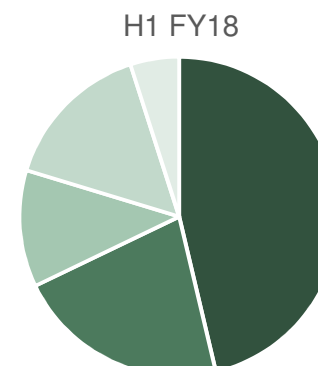
		Revenue			
£000s (6 months to 30 September)		H1 FY19	H1 FY18	% Change	FY18
1	Foreign Currency Exchange (FX)	7,297	7,461	(2%)	11,329
2	Pawnbroking	4,013	3,474	16%	6,966
3	Jewellery Retail	4,503	3,547	27%	7,960
4	Purchase of Precious Metals	6,829	5,890	16%	10,936
5	Other Services	1,292	1,386	(7%)	2,751
<b>Total</b>		<b>23,934</b>	<b>21,758</b>	<b>10%</b>	<b>39,942</b>

		Gross profit			
		H1 FY19	H1 FY18	% Change	FY18
		7,297	7,461	(2%)	11,329
		3,657	3,474	5%	6,966
		2,343	1,907	23%	4,130
		2,630	2,478	6%	4,356
		800	796	1%	1,566
<b>Total</b>		<b>16,727</b>	<b>16,116</b>	<b>4%</b>	<b>28,347</b>

#### Gross profit mix



- Foreign Currency Exchange (H1 FY19: 44%, H1 FY18: 46%)
- Pawnbroking (H1 FY19: 22%, H1 FY18: 22%)
- Jewellery Retail (H1 FY19: 14%, H1 FY18: 12%)
- Purchase of Precious Metals (H1 FY19: 16%, H1 FY18: 15%)
- Other Services (H1 FY19: 5%, H1 FY18: 5%)





## Cash flow statement

### Strong cash generation

- Strong cash generation continues with £5.8m in underlying EBITDA generated in the half year
- £1.2m capex on two relocations, four new stores and IT equipment
- £0.9m invested in pawnbroking growth during H1
- £0.9m increase in inventories includes continuing investment into core stores and keeping stock for new store openings
- £1.2m decrease in creditors is due to the timing with the level of foreign currency orders at Period end
- £1.4m final dividend for FY18 paid

### Progressive dividend policy

#### Progressive dividend policy to reflect cash flow generation and earnings potential

- Interim dividend declared with a 9% increase to 2.4p per share, payable on 21 February 2019 for those on the register as at 18 January 2019, going ex div on 17 January 2019
- Interim and final dividends will be paid in approximate proportions of one third and two thirds respectively (depending always on the financial performance of the Group)

### Cash flow statement

<i>£000s (6 months to 30 September)</i>	<b>H1 FY19</b>	<b>H1 FY18</b>	<b>FY18</b>
<b>EBITDA</b>	<b>5,729</b>	<b>5,884</b>	<b>7,729</b>
Share based payments	101	81	161
<b>Underlying EBITDA</b>	<b>5,830</b>	<b>5,965</b>	<b>7,890</b>
Movement in trade and other receivables	(894)	(1,103)	(1,251)
Movement in inventories	(933)	(1,052)	(2,229)
Movement in trade and other payables	(1,153)	1,119	2,350
Interest paid	(90)	(98)	(173)
Income tax paid	(486)	(265)	(999)
<b>Net cash flows from operating activities</b>	<b>2,274</b>	<b>4,566</b>	<b>5,588</b>
<b>Investing activities</b>			
Proceeds from sale of property, plant and equipment	3	-	1
Purchase of property, plant and equipment	(1,228)	(269)	(1,201)
Purchase of intangible assets	(42)	(20)	(111)
<b>Net cash flows from investing activities</b>	<b>(1,267)</b>	<b>(289)</b>	<b>(1,311)</b>
<b>Financing Activities</b>			
Dividends paid	(1,357)	(401)	(1,079)
Payment of finance lease liabilities	(4)	(4)	(8)
Bank loans drawn down	133	783	1,875
Repayment of bank borrowings & Loan Notes	-	-	(2,310)
<b>Net cash flows from financing activities</b>	<b>(1,228)</b>	<b>378</b>	<b>(1,522)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(221)</b>	<b>4,655</b>	<b>2,755</b>

## Balance sheet

- Strengthening balance sheet with net assets of £30.3m including net cash of £12.4m
- Intrinsic value of metals underpinning the inventory value
- Trade and other receivables are pawnbroking loans secured on jewellery and watches
- £7.0m revolving credit facility provides working capital flexibility for the Group's continued growth and funding for summer currency requirements. The facility has a 3 year term and expires in March 2020. The drawn part of the facility was repaid following the end of the interim period.

### Balance sheet

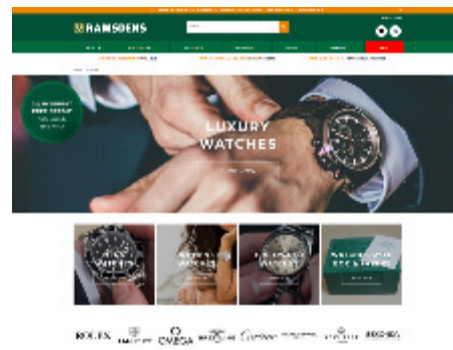
£000s (6 months to 30 September)	H1 FY19	H1 FY18	FY18
<b>Non-current assets</b>			
Property, plant and equipment	4,939	3,935	4,302
Intangible assets	402	446	429
Investments	-	-	-
Deferred Tax	111		84
	<b>5,452</b>	<b>4,381</b>	<b>4,815</b>
<b>Current Assets</b>			
Inventories	8,500	6,390	7,567
Trade and other receivables	11,507	10,465	10,613
Cash and short term deposits	14,398	16,519	14,619
	<b>34,405</b>	<b>33,374</b>	<b>32,799</b>
<b>Total assets</b>	<b>39,857</b>	<b>37,755</b>	<b>37,614</b>
<b>Current liabilities</b>			
Trade and other payables	4,945	4,930	5,793
Interest bearing loans and borrowings	2,013	3,101	1,883
Accruals and deferred income	955	890	1,281
Income tax payable	1,182	1,124	633
	<b>9,095</b>	<b>10,045</b>	<b>9,590</b>
<b>Net current assets</b>	<b>25,310</b>	<b>23,329</b>	<b>23,209</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	0	5	1
Accruals and deferred income	319	326	300
Derivative financial liabilities	6	76	40
Deferred tax liabilities	108	59	115
	<b>433</b>	<b>466</b>	<b>456</b>
<b>Total liabilities</b>	<b>9,528</b>	<b>10,511</b>	<b>10,046</b>
<b>Net assets</b>	<b>30,329</b>	<b>27,244</b>	<b>27,568</b>

## ***OPERATIONAL REVIEW & OUTLOOK***

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# Clear Growth Strategy

Drive growth from core estate      Expand store estate      Grow online presence      Capitalise on consolidation opportunities



Well invested systems

Marketing & Brand

People, culture & customer service

# Strategy 1. Drive growth from core estate

## Foreign Currency Exchange (FX)

### Segment overview

Ramsdens offers FX services through its branch network, with a small and growing online presence. The service is predominantly cash but the Group also sells Ramsdens Mastercard® pre-paid travel cards in US Dollar and Euro and is growing its international FX payments through a joint venture.

- Good performance despite challenging overall market conditions with the exceptional UK summer weather leading to less overseas holiday travel and, as a result, less need for holiday money. In addition, last year had the benefit of additional Easter holiday volumes over this Period
- Income growing from international payments and pre-paid cards but more work to do
- Customer numbers remained broadly stable

### Continued growth in foreign currency exchange

£000s (6 months to 30 September)	H1 FY19	H1 FY18	% Change	FY18
Total currency exchanged	£314,490	£324,168	(3%)	£483,364
Gross profit	£7,297	£7,461	(2%)	£11,329
Customer numbers ('000s)	507	511	(1%)	687



## Strategy 1. Drive growth from core estate

### Pawnbroking

#### Segment overview

Ramsdens offers loans secured against valuable jewellery items that the Group stores during the loan term. At maturity (6 months) the customer repays the capital & interest and the pledge is returned. Ramsdens retails or scraps the pledged items upon default to repay the loan, any surplus is returned to the customer.

- Now offering PB loans over a six month term to follow the industry norm
  - This has had an inflationary influence on the loan book of c£200k over the comparable period but not to interest generated although it has affected the average yield
  - The remaining loan book growth is from a solid performance in the established core estate and new stores
  - Interest income has increased as a result of the higher book and from improvement in jewellery retail results
  - Management considers that the loan book quality to be good
  - IFRS 9 has been implemented at 1 April 2018 with prior periods not restated. The change increases revenue and records a cost of impairment as a cost of sale. The net impact is that there is no change to gross profit. There is also no impact on opening reserves.
- \* The prior period impairment figures have been added in the below table for information only.

#### Live loan book

£000s (6 months to 30 September)	H1 FY19	H1 FY18	% Change	FY18
<b>Within contractual term</b>	6,043	5,418	12%	5,432
<b>Past due</b>	757	625		699
<b>Total</b>	6,800	6,043	13%	6,431

#### Financial contribution

£000s (6 months to 30 September)	H1 FY19	H1 FY18	% Change	FY18
<b>Revenue</b>	4,013	3,474	27%	6,966
<b>Impairment</b>	(356)	*(167)		*(398)
<b>Gross Profit</b>	3,657	3,474	5%	6,966
<i>Yield on average loan book</i>	55%	58%	(5%)	112%

## Strategy 1. Drive growth from core estate

### Jewellery Retail

#### Segment overview

Ramsdens retails new and second-hand jewellery through its 135 managed store network.

- Very good continued growth reflecting investments in stores, stock and online.
- All new stores plus 31 established core stores, have been converted to have a dedicated new jewellery offering separated from pre owned stock. This is appealing to a wider customer audience and assisting with the cross sell to our FX customer base.
- New jewellery sales have increased to 28% of our gross jewellery sales in the Period (previously 15%) but is at a lower gross margin of 40%
- The sale of premium watches has increased by 52% further enhancing the Group's jewellery proposition but it is also a lower margin product, typically around 31%.
- Whilst a reduction in gross margin, overall profitability increased
- The Group's online jewellery revenue increased by 126% with 58% of the sales from outside of the current branch catchment area



#### Financial contribution

£000s (6 months to 30 September)	H1 FY19	H1 FY18	% Change	FY18
<b>Revenue</b>	4,503	3,547	27%	7,960
<b>Gross Profit</b>	2,343	1,907	23%	4,130
<i>Gross margin</i>	52%	54%	(4)%	52%
<b>Jewellery Retail Stock</b>	6,954	5,067	37%	6,214

## Strategy 1. Drive growth from core estate

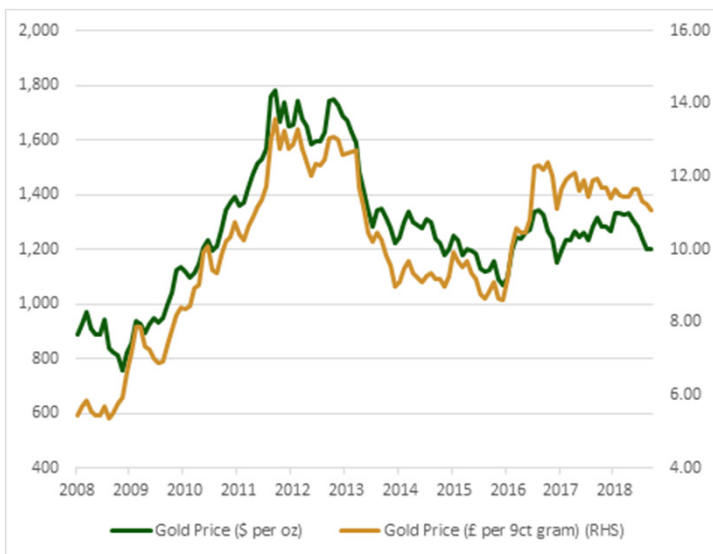
### Purchases of Precious Metals

#### Segment overview

*Ramsdens purchases unwanted jewellery items and scrap precious metal from customers.*

*Purchased items are retailed through the branch network or smelted in-house for sale in wholesale markets.*

- The Group has continued its strategy to increase jewellery retail stock levels to assist jewellery sales and create second hand jewellery stock for new and relocated stores
- The weight of gold purchased from the established core estate is broadly in line with last year and the growth in gross profit coming from new stores.
- The average gold price fell 3% on the comparable Period



#### Financial contribution

£000s (6 months to 30 September)	H1 FY19	H1 FY18	% Change	FY18
<b>Revenue</b>	6,829	5,890	16%	10,936
<b>Gross Profit</b>	2,630	2,478	6%	4,356



## Strategy 1. Drive growth from core estate

### Other Services

#### Summary

*Ramsdens also provides additional services including: cheque cashing; Western Union money transmission; and sale and buyback of electronics. The Group also receives income from its three franchisees and from credit broking introducer arrangements.*

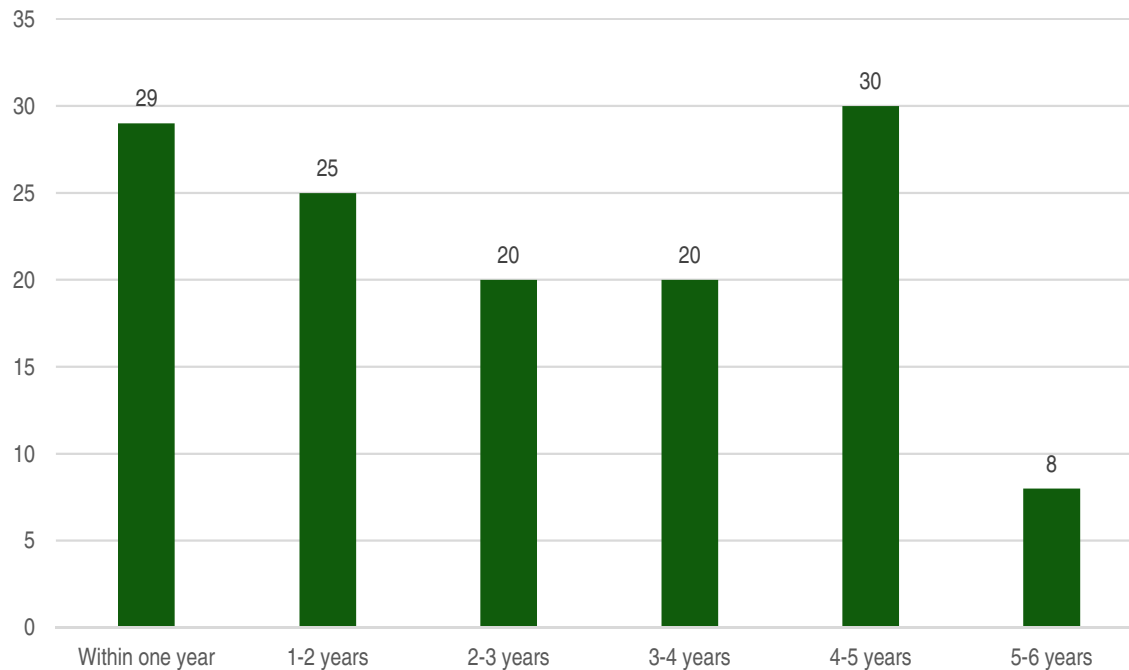
- Stable performance from the Other Services which account for 5% of gross profit on an annualised basis and include:
  - Cheque cashing – The Group provides immediate clearance for cheques to customers who do not wish to wait for bank clearance or who may not have a bank account
  - Western Union – the Company acts as an agent facilitating payments from or to customers via Western Union money transmission service
  - Sale and buyback of electronics – The Group buys the item and grants the customer an option to repurchase at a fixed price
  - Franchisees pay the Group franchise fees for use of its brand and infrastructure
  - Credit broking revenues are generated from referrals to other credit providers e.g. lending secured on vehicles

#### Financial contribution

£000s (6 months to 30 September)	H1 FY19	H1 FY18	% Change	FY18
<b>Revenue</b>	1,292	1,386	(7%)	2,751
<b>Gross Profit</b>	800	796	1%	1,566

## Branch estate profile

Lease expiry/break position at 1 October 2018



- 122 of the 123 established\* stores are profitable and contribute to head office costs
- Average lease term remaining is 30 months.
- 16 stores have rolling break options which are those that are lower contributors or those identified for relocation, waiting for the right site to become available.

\*defined as stores open for more than two years in a town

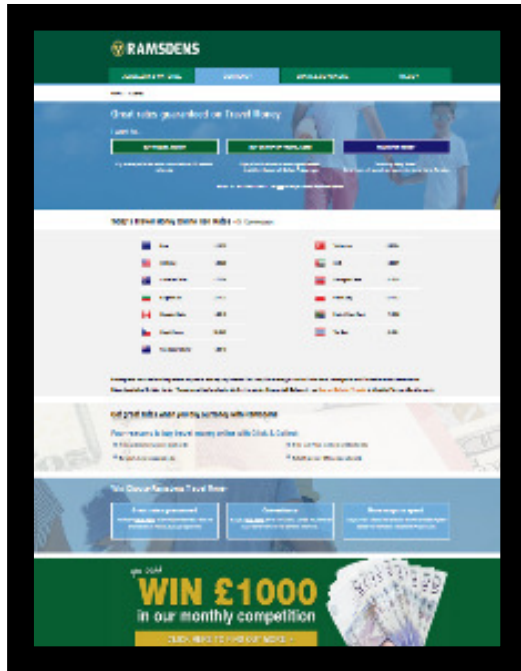
## Strategy 2. Expand the store estate

### Retail store estate (November 2018)

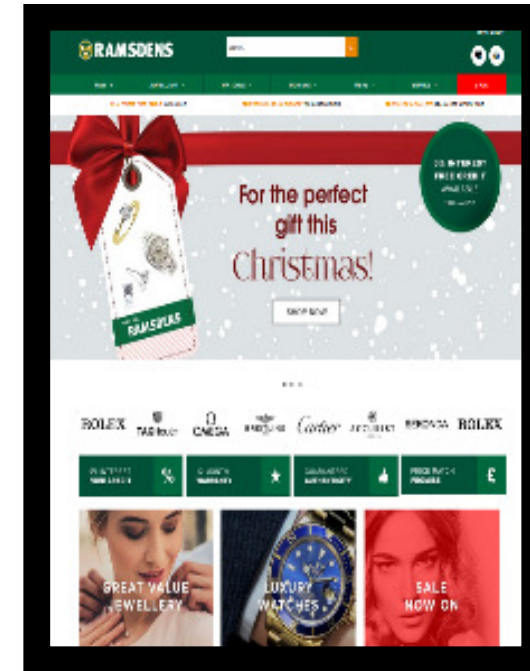


- Maintained disciplined approach to store openings
- 4 new stores opened in the Period, 4 stores opened since the Period end and 3 further leases agreed
- 2 stores relocated and 4 additional relocations planned for H2 FY19
- New and relocated stores are collectively performing better than expected
- Strong pipeline of potential new stores in Scotland, Wales and Northern England to grow at 12 new stores per annum

## Strategy 3. Grow online presence



- Dedicated Travel Money website [www.RamsdensCurrency.co.uk](http://www.RamsdensCurrency.co.uk).
- Mobile friendly
- Click & Collect available
- Online FX volume (notes and card) grew by 26% on H1 FY18



- Dedicated jewellery retail website [www.RamsdensJewellery.co.uk](http://www.RamsdensJewellery.co.uk) plus eBay as a distribution channel
- Mobile friendly
- Click & Collect and Home Delivery available
- Gross jewellery sales up 126% on H1 FY18
- Online jewellery operating profit up £48k on H1 FY18

## Summary & Outlook

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- **Solid performance in the first six months of the current financial year.**
- **Early performance of the new stores ahead of expectation.**
- **Good pipeline of further stores**
- **Invested in staff headcount, training and IT systems**
- **Good position as we approach Christmas trading**
- **Confident of achieving the Board's full year expectations**



## ***APPENDICES***

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## The Ramsdens team

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### **Peter Edward Kenyon, Chief Executive Officer**

Peter joined Ramsdens in November 2001 as Operations Director and was appointed Chief Executive Officer in January 2008. Peter led the MBO in 2014 and has been responsible for over 25 acquisitions for the Group. He is responsible for overseeing all operations of the business and for setting the Group's strategy. Prior to joining Ramsdens, Peter's early career was with Yorkshire Bank for 17 years. He is a Council Member of the National Pawnbrokers Association and became a director of the Company at the time of the MBO in September 2014.



### **Martin Anthony Clyburn, Chief Finance Officer**

Martin joined Ramsdens in 2009 and is a Chartered Accountant having previously qualified with respected North East firm, Keith Robinson & Co. Martin joined the board of the Company as Chief Financial Officer in August 2016. Martin is responsible for the finance function within the Group and also works closely with the IT team ensuring the IT and accounting systems are fully integrated. Martin lectured part time at the University of Teesside from 2006 – 2012. Martin holds a degree in MORSE from Warwick University.

## The Ramsdens NEDs

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### **Andrew David Meehan, Non-Executive Chairman**

Andy is a highly experienced retail executive with over 30 years' experience in roles at the Co-Operative Retail Services, Storehouse plc and Sears plc. For the last 10 years he has held a number of chairmanships and non-executive positions in many retail and consumer product businesses including Fortnum and Mason, GHD Group and American Golf. Andy is a chartered accountant and holds a degree in Politics & Economics from Oxford University. He has been Chairman of the Company since September 2014 and chairs the nominations committee.



### **Simon Edward Herrick,**

Simon joined the Board on 1 January 2017. Simon has significant experience in senior finance roles including positions as CFO of Debenhams plc, Northern Foods plc, Kesa Electricals plc and PA Consulting Limited. Since leaving Debenhams Simon has undertaken consultancy work in the retail sector, most recently as CFO of Crew Clothing Company. Simon is a Chartered Accountant and holds an MBA from Durham University. Simon chairs the audit & risk and remuneration committees.



### **Stephen John Smith,**

Steve joined the Board on 1 January 2017. Steve retired as CEO of Northgate plc in 2010 after a career with Northgate spanning over 20 years. Since leaving Northgate, Steve has served as a non-executive director on the boards of various family and private equity backed businesses, including four positions as Chairman. Steve is a Chartered Accountant and holds a degree in Economics from the London School of Economics.