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Ramsdens Holdings PLC

Results for the year ended 31 March 2019

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Ramsdens overview

Complementary product offering

The Group is a growing diversified financial services provider and retailer

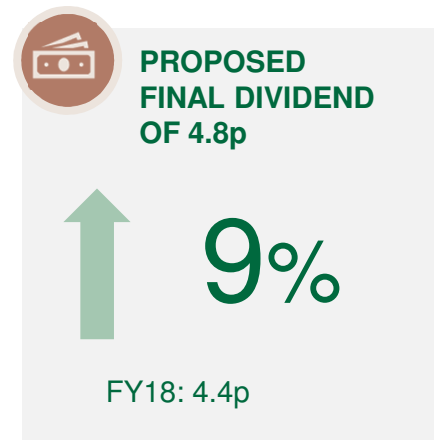
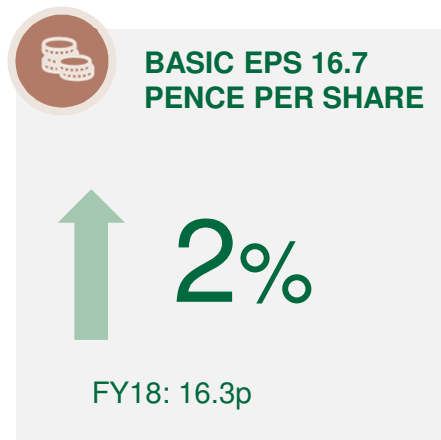
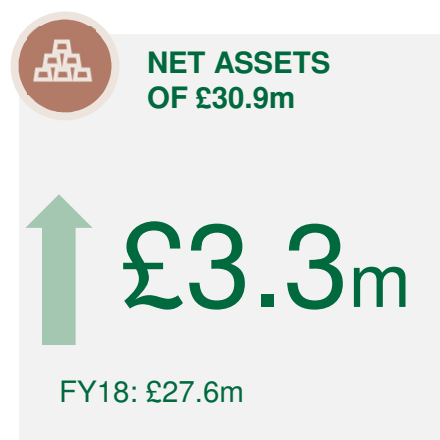
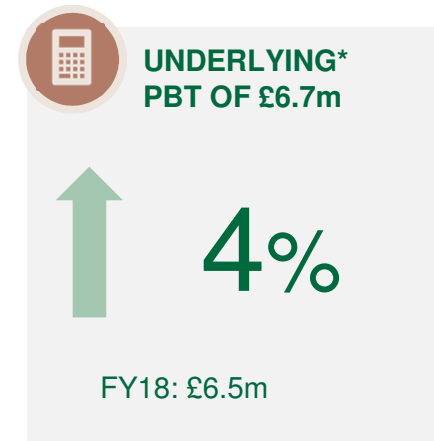
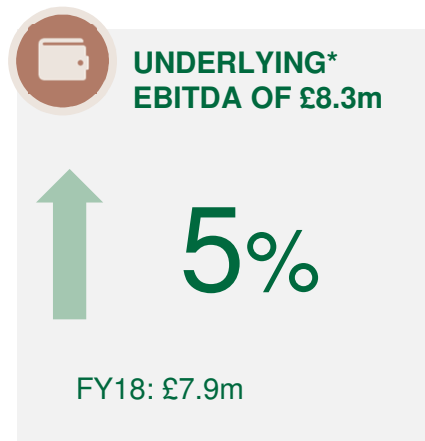
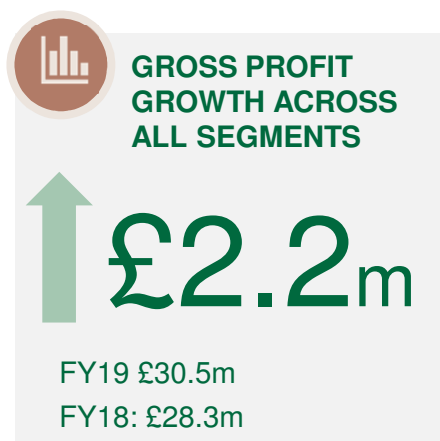
Business segments

-  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



*Underlying figures reflect Earnings before interest, tax, depreciation and amortisation (EBITDA) and Profit before tax (PBT), adjusted for the share based payments charge

Strategic Highlights

1. DRIVE GROWTH FROM CORE ESTATE

- Investment in retail stock and merchandising produced positive results
- 5 stores relocated:
 - Halifax
 - Glasgow
 - Redcar
 - Barrow
 - Grimsby

2. EXPAND THE CORE ESTATE

- 6 greenfield stores opened in:
 - Kendal
 - Preston
 - Whitehaven
 - Alloa
 - Castleford
 - Bristol

3. GROW ONLINE PRESENCE

- Online jewellery sales up 77%
- Online click and collect FX volume up 44%

4. CAPITALISE ON MARKET OPPORTUNITIES

- Acquired a small pawnbroker in Worksop
- Acquired two independent jewellers in Otley and Ripon
- Acquired 18 stores and 5 loan books from The Money Shop
- Post year end, acquired 4 more The Money Shop stores and 12 loan books

FINANCIAL REVIEW

Changes in accounting policies

- IFRS 9 adoption has increased pawnbroking revenue and pawnbroking cost of sales by £0.6m with no net effect on gross profit. Revenue was previously reported net of expected credit losses, whereas it is now reported gross with credit losses shown separately as a cost of sale.
- IFRS 15 adoption has resulted in pawnbroking loans which are in the process of realisation being reclassified as inventory from receivables. The subsequent sale of the pawnbroking pledged goods are now recognised as revenue, with the cost of sale being the inventory value. Previously only the extra interest earned was reported as revenue on the subsequent sale of the pledged goods. Revenue from the sale of goods in FY19 was £3.3m, with £0.8m extra interest earned, resulting in a change in basis of £2.5m.
- Changes to IFRS 9 & IFRS 15 have had no net impact on profit or reserves.

<i>£000s (year to 31 March)</i>	FY19 prior to changes to IFRS 9 & 15	IFRS 9	IFRS 15	Total impact of IFRS 9 & 15	FY19 Reported
Statement of Financial Position – Current Assets					
Inventories	10,607	-	2,051	2,051	12,658
Trade and other receivables	12,957	-	(2,051)	(2,051)	10,906
Cash and short term deposits	13,420	-	-	-	13,420
Total current assets	36,984	-	-	-	36,984
Statement of Comprehensive Income					
Revenue	43,761	552	2,472	3,024	46,785
Cost of sales	(13,239)	(552)	(2,472)	(3,024)	(16,263)
Gross profit	30,522	-	-	-	30,522

Summary profit & loss

- Revenue up 17% to £46.8m however £3.0m due to adoption of IFRS 9 & 15, underlying revenue growth 10%.
- Cost sales has also increased by £3.0m due to IFRS 9 & 15
- Gross Profit growth in all four key segments, up £2.2m to £30.5m
- Administrative expenses up £2m following investment in new stores and additional staff
- Profit before tax up £0.2m to £6.5m
- Earnings per share 16.7p
- LTIP share based payments were £221k (FY18: £161k)

Underlying profit before tax

<i>£000s (year to 31 March)</i>	FY19	FY18	% Change
Profit before tax	6,492	6,312	3%
LTIP share based payments	221	161	37%
Underlying profit before tax	6,713	6,473	4%

Consolidated Statement of Comprehensive Income

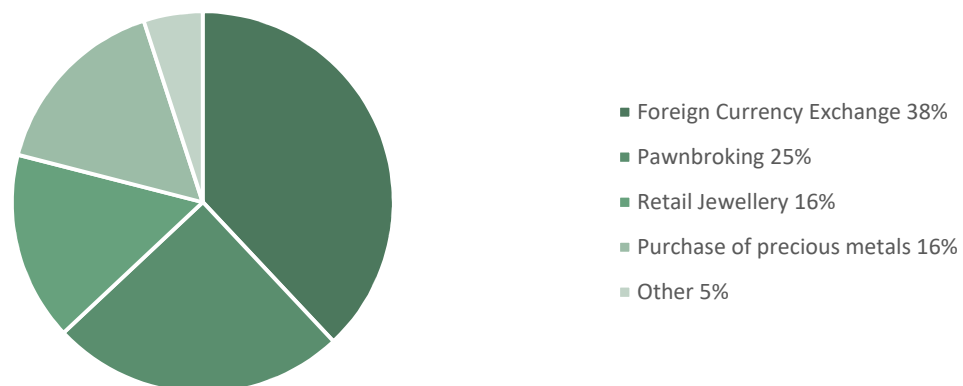
<i>£000s (year to 31 March)</i>	FY19	FY18	% Change
Revenue	46,785	39,942	17%
Cost of sales	(16,263)	(11,595)	40%
Gross profit	30,522	28,347	8%
Administrative expenses	(23,939)	(21,937)	9%
Operating profit	6,583	6,410	3%
Finance costs	(131)	(177)	(26%)
Gain on fair value of derivative financial liability	40	79	(49%)
Profit before tax	6,492	6,312	3%
Income tax expense	(1,332)	(1,278)	4%
Profit after tax for the period	5,160	5,034	3%

Business segments

Diversified and growing revenue streams

£000s (year to 31 March)		Revenue			Gross profit		
		FY19	FY18	% Change	FY19	FY18	% Change
1	Foreign Currency Exchange (FX)	11,585	11,329	2%	11,585	11,329	2%
2	Pawnbroking	10,544	6,966	51%	7,520	6,966	8%
3	Jewellery Retail	9,771	7,960	23%	5,039	4,130	22%
4	Purchase of Precious Metals	12,343	10,936	13%	4,801	4,356	10%
5	Other Services	2,542	2,751	(8%)	1,577	1,566	1%
Total		46,785	39,942	16%	30,522	28,347	8%

FY 19 gross profit mix



NB. PB revenue increased £3.0m as a result of adopting IFRS 9 & IFRS 15

Cash Flows

Strong cash generation

- Strong cash generation continues with £8.3m underlying EBITDA generated in the year
- Inventory movement of £5.1m
 - £3.0m increase in stock
 - £2.1m accounting reclassification
- £0.4m reduction in trade and other receivables
 - £1.7m increase in pawnbroking and other receivables
 - £2.1m accounting reclassification
- £2.4m capex on new stores, relocations and IT equipment
- £1.5m acquisition of Money Shop stores and loan books, including £0.7m pawnbroking loan assets
- £1.4m final dividend for FY18 paid and £0.7m interim FY19 dividend paid

Progressive dividend policy

Progressive dividend policy to reflect cash flow generation and earnings potential

- Final dividend of 4.8p per share proposed, subject to approval, payable on 20 September 2019 for those on the register as at 23 August 2019.
- Subject to approval of the final dividend, the total dividends for the year will be 7.2p with the interim dividend of 2.4p paid in February 2019

Consolidated Statement of Cash Flows

<i>£000s (year to 31 March)</i>	FY19	FY18
EBITDA	8,039	7,729
Share based payments	221	161
Underlying EBITDA	8,250	7,890
Movement in trade and other receivables	424	(1,251)
Movement in inventories	(5,091)	(2,229)
Movement in trade and other payables	(651)	2,350
Exceptional expense – IPO bonus	-	-
Interest paid	(131)	(173)
Income tax paid	(1,278)	(999)
Net cash flows from operating activities	1,523	5,588
Investing activities		
Proceeds from sale of property, plant and equipment	3	1
Purchase of property, plant and equipment	(2,315)	(1,201)
Purchase of intangible assets	(109)	(111)
Acquisition	1,504	-
Net cash flows from investing activities	(3,925)	(1,311)
Financing Activities		
Dividends paid	(2,097)	(1,079)
Payment of finance lease liabilities	(8)	(8)
Exceptional expenses – IPO fees	-	-
Bank loans drawn down	5,183	1,875
Repayment of bank borrowings & Loan Notes	(1,875)	(2,310)
Repayment of Loan Notes	-	-
Proceeds of issue of ordinary shares	-	-
Net cash flows from financing activities	1,203	(1,522)
Net increase in cash and cash equivalents	(1,199)	2,755

Financial Position

- Strengthening balance sheet with net assets of £30.9m including cash of £13.4m
- £2.1m reclassification of inventory from receivables, representing pledged items in the course of realisation
- Intrinsic value of metals underpinning the inventory value
- Trade and other receivables are pawnbroking loans secured on jewellery and watches
- Revolving credit facility increased to £10m in March 2019 and renewed for further 3 years

Consolidated Statement of Financial Position

<i>£000s (year to 31 March)</i>	FY19	FY18
Non-current assets		
Property, plant and equipment	5,485	4,302
Intangible assets	1,228	429
Investments	-	-
Deferred tax	167	84
	4,815	4,815
Current Assets		
Inventories	12,658	7,567
Trade and other receivables	10,906	10,613
Cash and short term deposits	13,420	14,619
	36,984	32,799
Total assets	43,864	37,614
Current liabilities		
Trade and other payables	6,490	7,074
Interest bearing loans and borrowings	5,184	1,883
Income tax payable	689	633
	12,363	9,590
Net current assets	24,621	23,209
Non-current liabilities		
Interest bearing loans and borrowings	-	1
Accruals and deferred income	453	300
Derivative financial liabilities	-	40
Deferred tax liabilities	140	115
	593	456
Total liabilities	12,956	10,046
Net assets	30,908	27,568

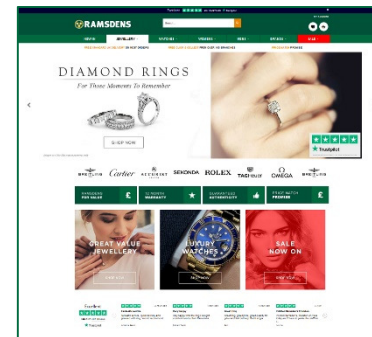
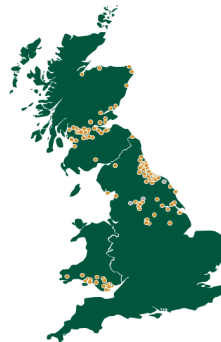
Operational review and outlook

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.

- Largest segment contributing 38% of gross profit
- 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 which remain an opportunity

Continued growth in foreign currency exchange

£000s (12 months to 31 March)	FY19	FY18	% Change
Total currency exchanged	£495,689	£483,364	2%
Gross profit	£11,585	£11,329	2%
Customer numbers ('000s)	705	687	4%

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 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.

- Pawnbroking contributes 25% of gross profit
- The move to the industry norm of a 6 month pledge term has had an inflationary influence on the loan book of c£200k over the prior year but not to interest generated
- The year end past due position is inflated following The Money Shop acquisition and giving customers more time to repay
- 36,000 pawnbroking customers with an average loan of £225
- As a consequence of adopting IFRS 9 & IFRS 15, both revenue and cost of sales have increased by £3.0m in FY19 with comparatives not restated

Live loan book

£000s (as at 31 March)	FY19	FY18	% Change
Within contractual term	6,611	5,732	15%
Past due	1,032	699	
Total	7,643	6,431	19%

Financial contribution

£000s (year to 31 March)	FY19	FY18	% Change
Revenue	10,544	6,966	51%
Gross Profit	7,520	6,966	8%
<i>Yield on average loan book</i>	107%	112%	(5%)

Strategy 1. Drive growth from core estate - Jewellery Retail

Segment overview

Ramsdens retails new and second-hand jewellery through its 152 managed store network.

Jewellery Retail enhances Pawnbroking income as defaulted pledges attract significantly higher values when sold via retail versus scrapping.

- Jewellery retail accounts for 16% of gross profit
- In addition to the growth from new stores, the investment in stock levels, stock presentation and staff training has led to growth across the core estate
- 52 stores have the new display concept appearance with new stock segregated from second hand stock to appeal to a wider customer audience
- New jewellery sales now account for 32% of our gross jewellery sales (FY18: 18%) and whilst this is at a lower margin (40%), pricing initiatives and controlling the level of discounts on our second hand jewellery has maintained overall retail jewellery gross margin at 52%
- The sale of premium watches increased by 42% at a gross margin of 27% and presents an opportunity for further investment and growth
- Ramsdens online jewellery revenue is now c5% of total jewellery turnover with 51% of the sales coming from outside the store catchment area



Financial contribution

£000s (year to 31 March)	FY19	FY18	% Change
Revenue	9,771	7,960	23%
Gross Profit	5,039	4,130	22%
<i>Gross margin</i>	52%	52%	-
Jewellery Retail Stock	9,085	6,214	46%

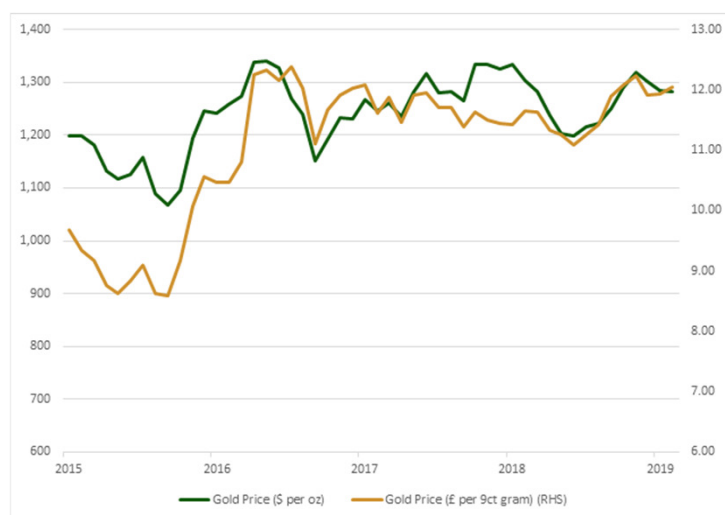
Strategy 1. Drive growth from core estate - Purchases of Precious Metals

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 purchase of precious metals, selling for intrinsic value, represents 16% of gross profit
- The Group has continued its strategy to increase jewellery stock levels to assist jewellery sales and create second hand stock for new and relocated stores.
- The Sterling gold price was overall in line with our expectations and we anticipate a similar price during FY20. This relatively high gold price benefits the Business.
- The weight of gold purchased from the established store estate is broadly in line with last year and the growth in gross profit coming from the new stores.



Financial contribution

£000s (year to 31 March)	FY19	FY18	% Change
Revenue	12,343	10,936	13%
Gross Profit	4,801	4,356	10%

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 and include:
 - Cheque cashing – Ramsdens 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 – Ramsdens 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 (year to 31 March)	FY19	FY18	% Change
Revenue	2,542	2,751	(8%)
Gross Profit	1,577	1,566	1%

Strategy 1. Drive growth from core estate - Relocations

Summary

Some of the older Ramsdens network in suburban sites and are 'old model' pawnbrokers.

Relocating to higher footfall high street / shopping centre stores compliments the strategy to grow FX and retail.

Careful appraisal of the store network has been undertaken to ensure that relocations will add to the bottom line and not simply chase revenue.

Store relocations – Halifax & Barrow



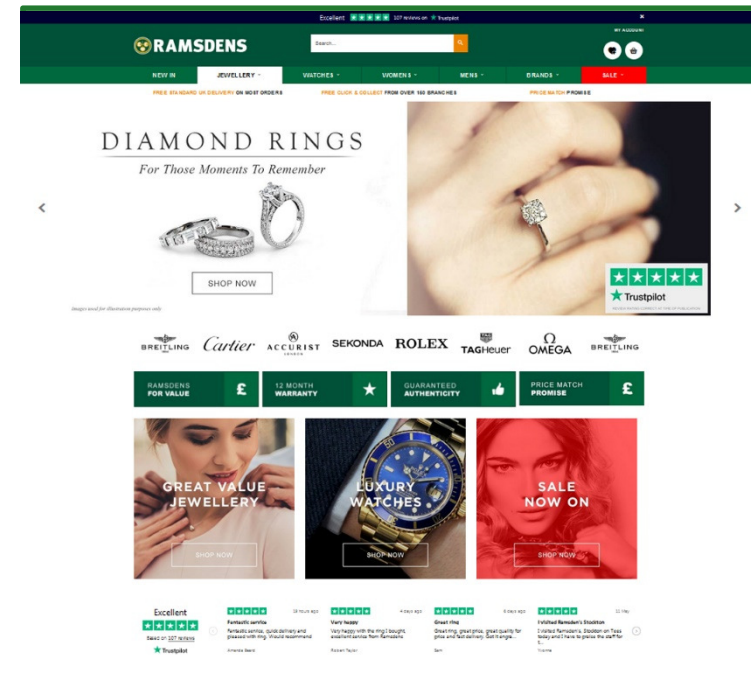
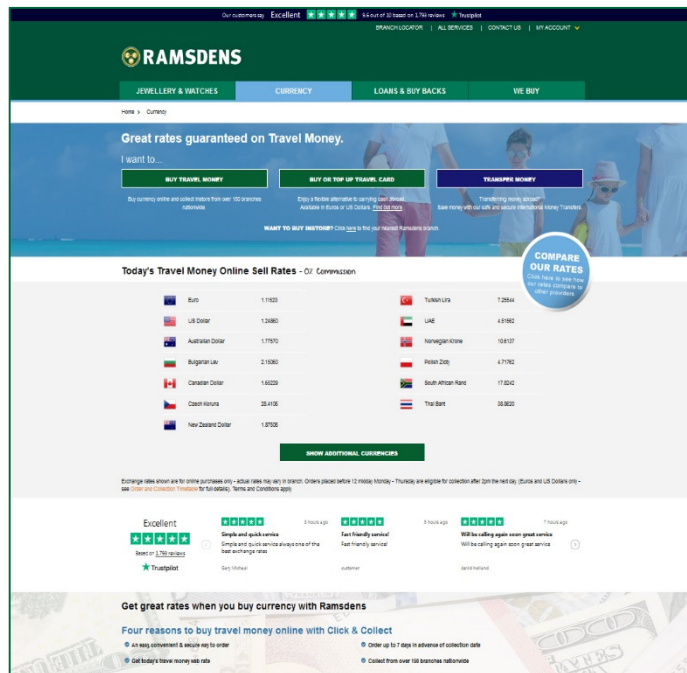
Strategy 2. Expand the store estate

- Maintained disciplined approach to store openings
- 6 Greenfield sites opened – Alloa, Kendal, Castleford, Preston, Whitehaven and Bristol
- Plan to open 6 new stores in FY20, concentrating on converting the acquired Money Shop stores.

Retail store estate



Strategy 3. Grow online presence



- Dedicated Travel Money website www.RamsdensCurrency.co.uk.
- Mobile friendly
- Click & Collect
- Online FX volume (notes and card) grew by 48% in FY19 and represents 6% of total volume of currency exchanged at £29.5m (FY18 £20.5m)
- Dedicated jewellery retail website www.RamsdensJewellery.co.uk plus eBay as a distribution channel
- Mobile friendly
- Click & Collect and Home Delivery available
- Ecommerce sales grew by 77% and now represents 5% of total jewellery sales.
- 51% of sales originate from outside of our store network

Strategy 4. Capitalising on consolidation opportunities

- Growth opportunities presented by operating in a fragmented market
- Selective acquisitions support continued delivery of growth strategy to expand Ramsdens' reach across communities in the UK
- Acquired net 16 stores from The Money Shop in March 2019 for a consideration of £1.5m satisfied in cash
 - Acquisition supports strategy to expand Ramsdens' reach and enable the Group to leverage investments made in recent years in brand, IT, systems and people
 - Significant opportunities to: build on existing FX proposition in the acquired stores; add jewellery retail to some stores; and improve performance through expertise of Ramsdens' management team
 - Following the year end, Barnsley, Guisborough and Doncaster have opened with three further new stores in the legal lease process
- Acquired a further 4 The Money Shop stores and 12 loan books post period end in May 2019 for £0.5m
- Two independent jewellery stores acquired in Otley and Ripon in November 2018 and converted to Ramsdens
- One small pawnbrokers acquired in Worksop in December 2018 which we will relocate in FY20

Summary & Outlook

- Overall a solid performance given the summer weather, Brexit uncertainty and challenges facing high street retail.
- Early performance of the new stores ahead of expectation.
- Capitalising on consolidation opportunities – acquisition before year end and post year end
- Invested in staff headcount, training and IT systems
- Confident of achieving further growth and rewarding shareholders with a progressive dividend



APPENDICES

The Ramsdens team



Peter Edward Kenyon (54), 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 (37), 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



Andrew David Meehan, (64) Non-Executive Chairman

Andy is a highly experienced retail executive with over 30 years' experience including CEO and CFO roles at the Co-Operative Retail Services, Storehouse plc and Sears plc. Since 2006 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, (55)

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 a number of sectors, most recently as interim CEO of Blancco Technology Group PLC. Simon is a Chartered Accountant and holds an MBA from Durham University. Simon chairs the Audit & Risk and Remuneration committees.



Stephen John Smith, (61)

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.