

**CREIGHTONS**<sub>plc</sub>

**PRELIMINARY RESULTS PRESENTATION  
FULL YEAR MARCH 2019**

**26 JUNE 2019**

The logo for Potter+Moore Innovations Ltd features a stylized white drop or teardrop shape above a curved line that sweeps from the left towards the right. Below this graphic, the text "potter+moore" is written in a lowercase, sans-serif font, with "innovations ltd" in a smaller, lowercase, sans-serif font underneath.

potter+moore  
innovations ltd

**POTTER & MOORE**  
— (DEVON) LIMITED —

**CREIGHTONS<sub>plc</sub>**

**BERNARD JOHNSON**  
**GROUP MANAGING DIRECTOR**

# INTRODUCTION

Sales + Net Profit well up on previous year – provides a platform for profitable + significant growth

Very successful upgrade of Operations across warehousing, production + manufacturing sets

Significant acquisitions successfully negotiated and nearing completion:

- 11 acre factory site at Peterborough
- Beauty Focused Retail website
- Fast growing young skin brand (now completed)

Continuous training now systematic across all disciplines particularly staff in marketing, product development, account management and customer services



# INTRODUCTION (CONTINUED)

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All employees earned a performance based bonus of around 7.5% and the lowest paid received an average of £9.55/hour, including bonuses

All employees were offered share options totally 1.7% of Creightons share capital (90% uptake)

Sales led culture now in place – appointing a new Global Head of Sales

Upgraded our web sales function by developing our own platform

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**CREIGHTONS**plc

**PAUL FORSTER**

**GROUP FINANCE + COMMERCIAL DIRECTOR**

# FINANCIAL HIGHLIGHTS

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Revenue increased by 26.4% to £44.0m (2018: £34.8m)

-

Operating profit increased by 77.4% to £2,900,000 (2018: £1,635,000)

-

Operating profit margin of 6.6% (2018: 4.7%)

-

Fully diluted earnings per share at 4.16p (2018: 1.85p)

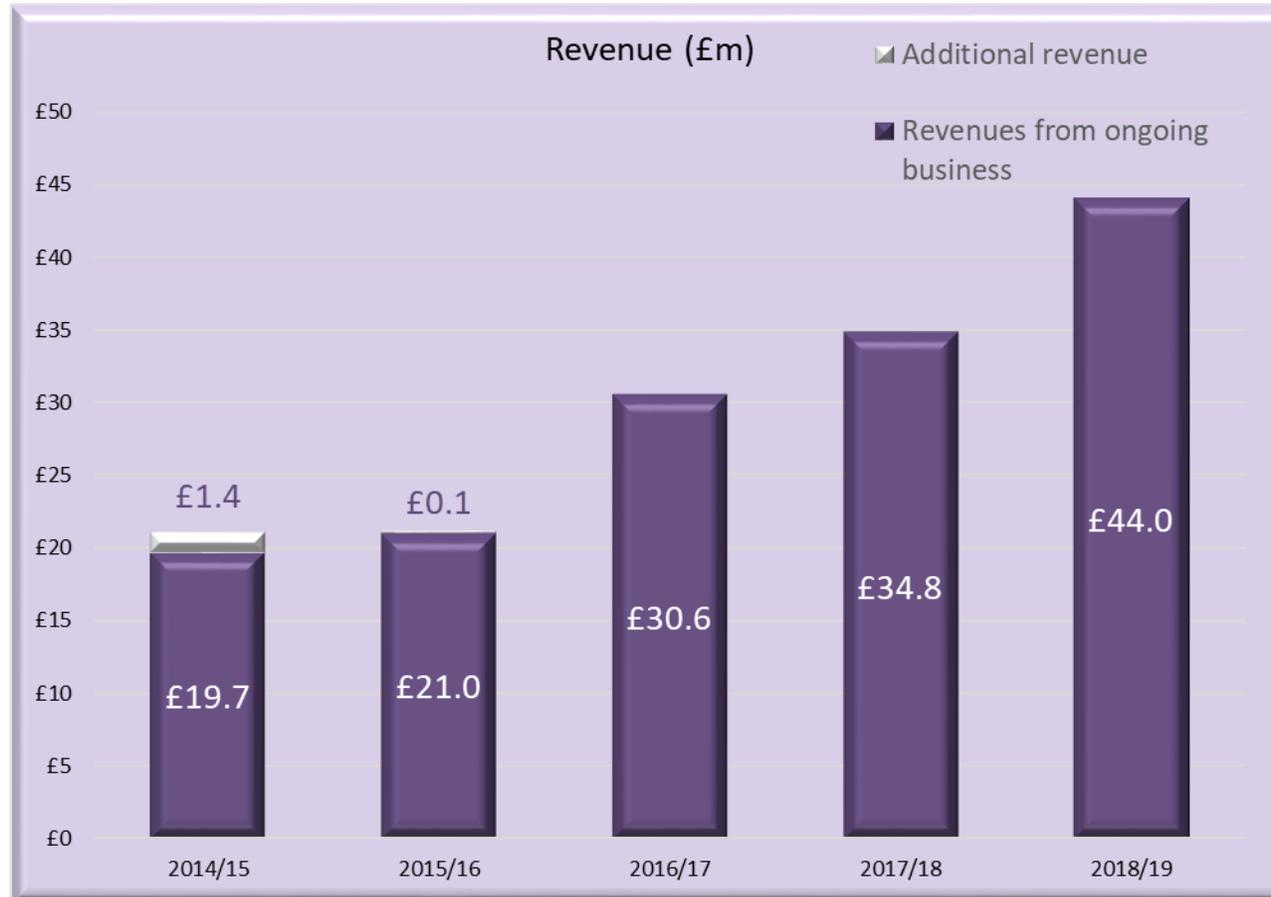
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Proposed final dividend of 0.40p per ordinary share (2018: 0.23p)

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R&D tax relief claim results in credits of £178,000 for the current year and £361,000 claimed from previous years.

# REVENUE



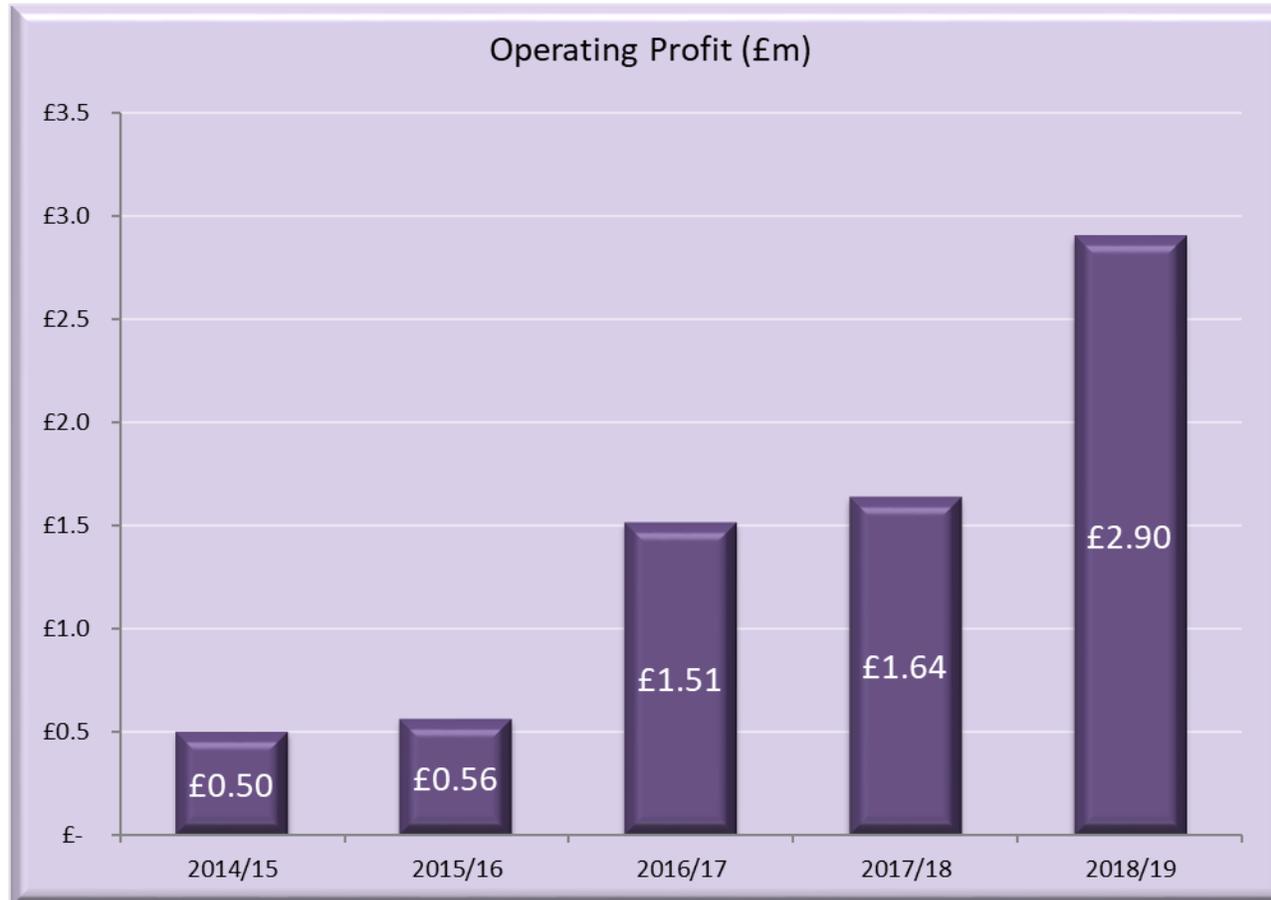
Revenue increased by 26.4% to £44.0m (2018: £34.8m)

Sales more than doubled since 2016

Private label sales +42%  
Contract sales +32%

# OPERATING PROFIT

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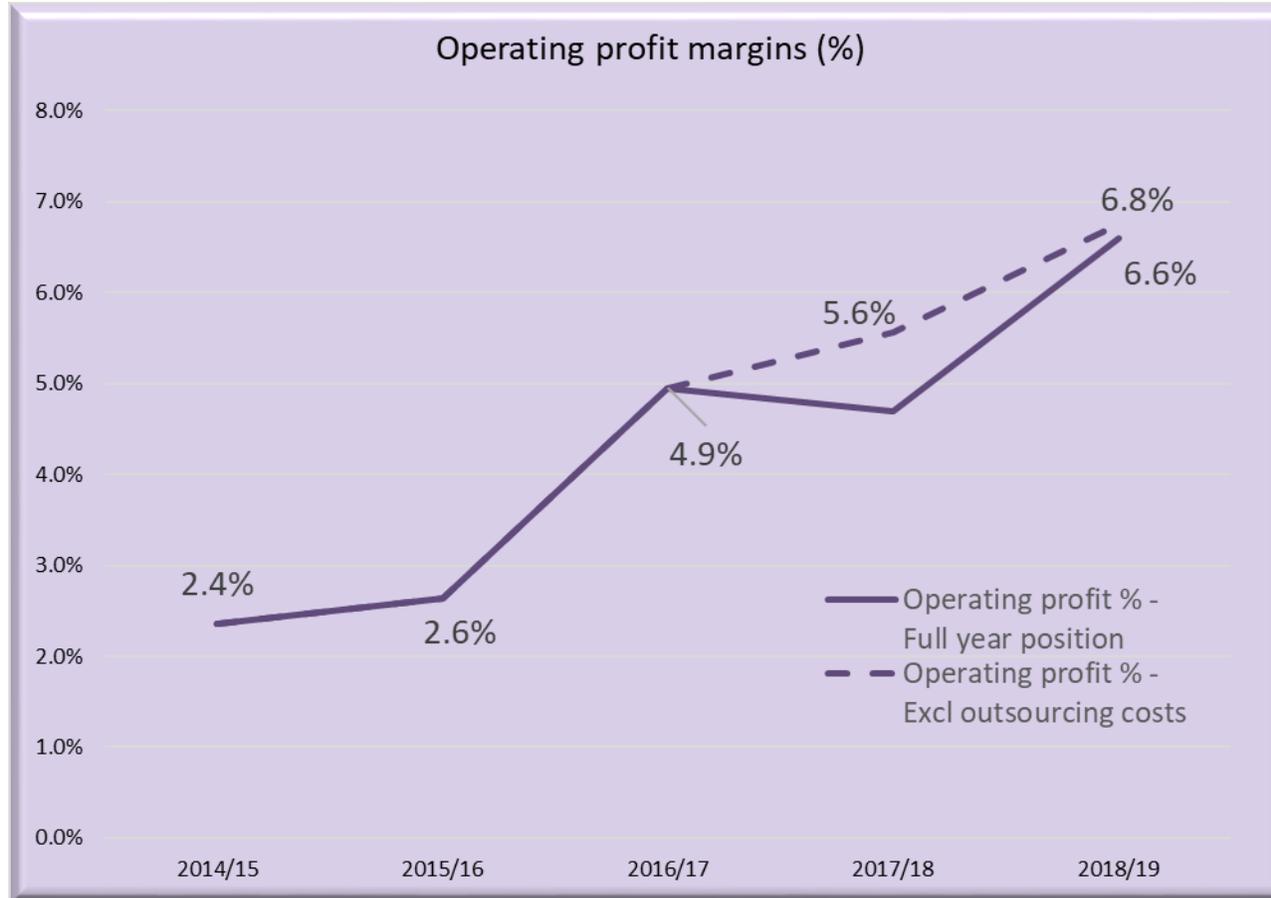
Operating profit increased by 77.4% to £2,900k

Operating profit increased by 4.8 times since 2016

Distribution costs increased due to sales growth and outsourcing to 3PL provider

Controlled overhead costs have only increased by 10.9%

# PROFIT MARGINS

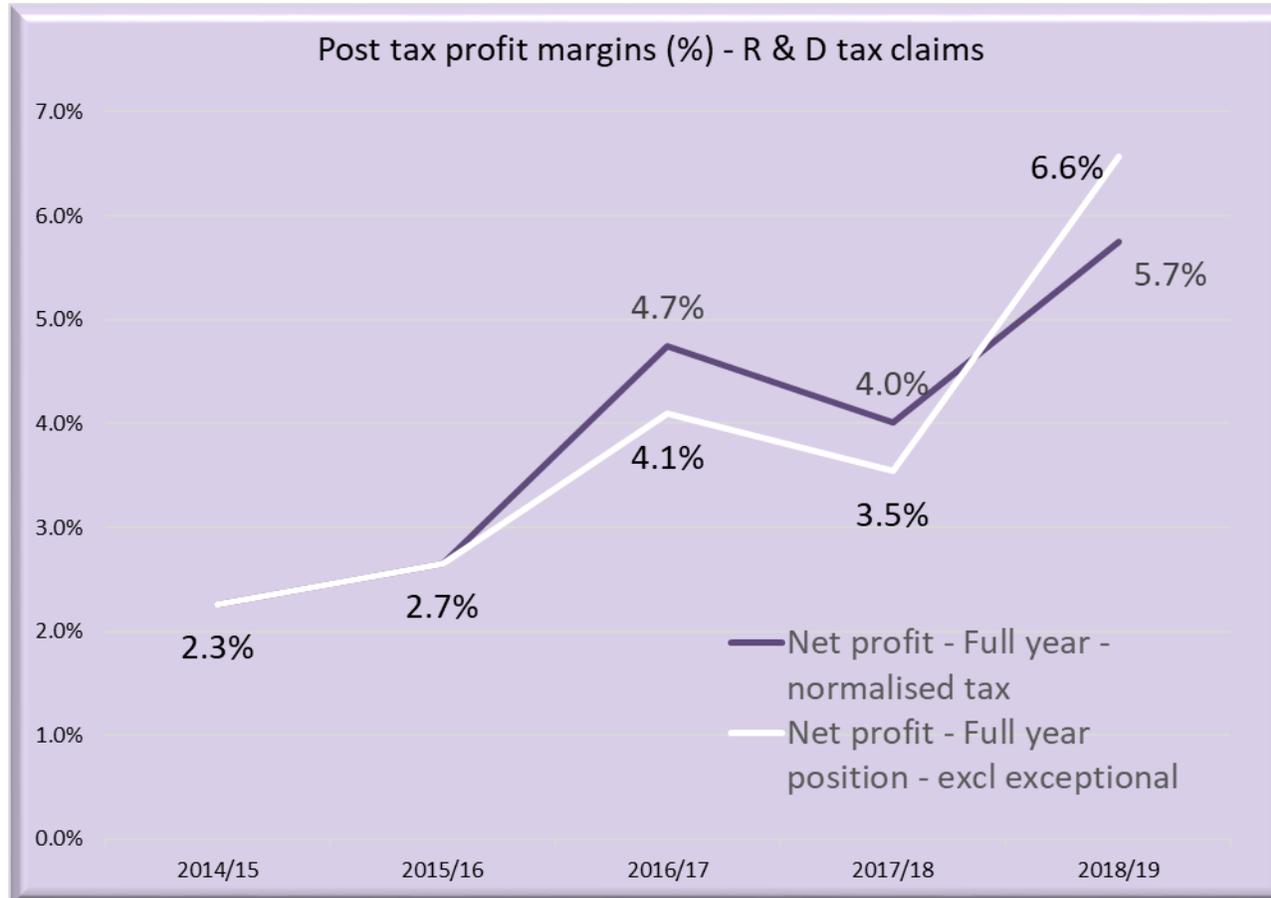


Operating profit as a percentage of sales increased by 1.9% to 6.6%

Excluding outsourced production costs shows improving trend

Operating profit margin % increased by 2.5 times from 2016

# R & D IMPACT

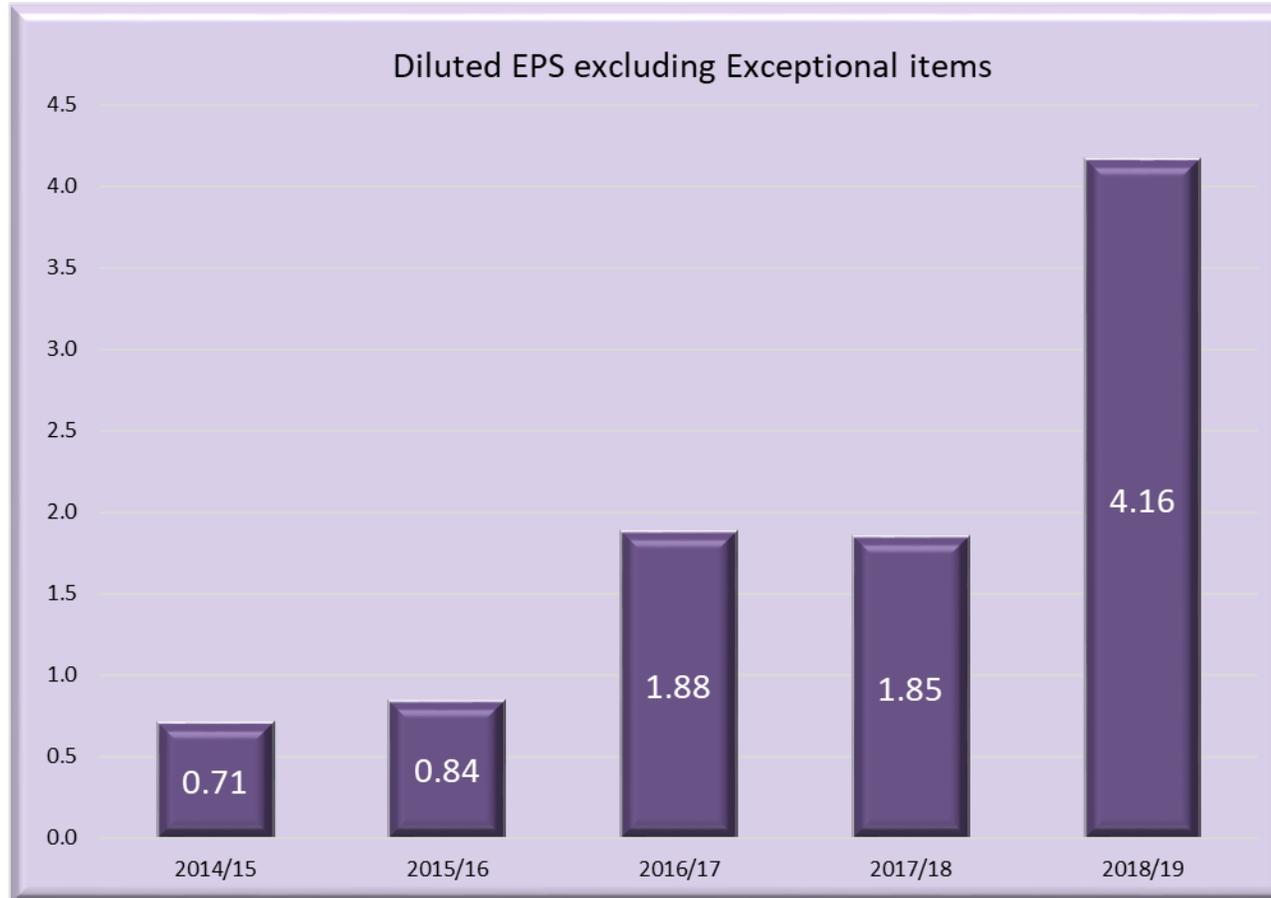


Tax credit of 0.8% (2018: tax charge of 23.4%)

Tax credit is mainly a result of R&D relief claims of £539k

Underlying tax rate assuming similar levels of R & D should be approx 13%

# DILUTED EPS

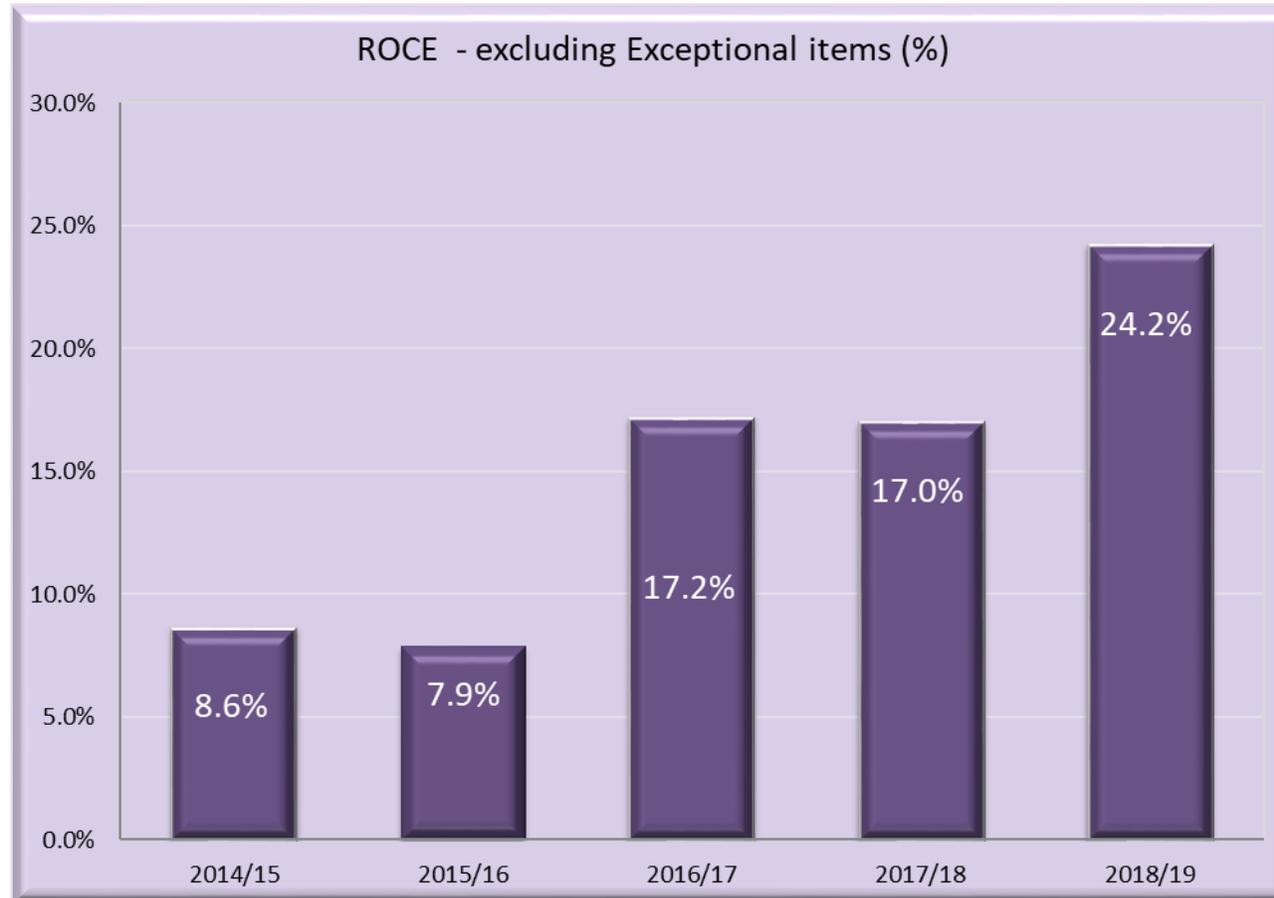


Increase of 125% compared to March 2018

Increased by nearly 5 times since March 2016

# ROCE

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Continued growth in ROCE

ROCE increased by 3 times since 2016

Calculated in accordance with London Stock Exchange formula

# NET CASH



Operating cash flow £4m

Cash utilised in increased working capital £2.7m, including stock of £2.5m

Spend on capital items and intangibles of £1.6m

Working capital facility headroom of £5.5m at March 2019

# WORKING CAPITAL

**Stock increased by £2.5m**  
Partly driven by a 20% increase in  
forecast sales for the first quarter +  
Brexit stock build

**Stock turn**  
2019: 3.2 times (2018: 4.5 times)  
Stock build unravelled post year end

## Working capital control

**Debtors increased by 8%, sales in last  
two months increased by 11%**

**Trade debtor days**  
2019: 52 days  
2018: 53 days

# PLANS FOR GROWTH

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## Plan

## Progress

Improve production management

Operations management team delivering improved output +17% and efficiency +20%

Investing in people

New bonus system focussing on individual performance

Optimise capacity across shifts

Plans in place to maximise capacity within the existing footprint

Outsourced Finished Goods to 3PL operator

Now complete

Capital investment

High speed bottle filler – delivering 33% increase in output  
High speed tube filler – delivering 20% increase in output  
High speed jar line - target early 2020

Site

Prepare plans to optimise site utilisation

# OUR ASPIRATIONS

## As presented in June 2017

- Turnover to £60m by the end of 2020/21
- Show at least 5% net profit, after tax
- Pay a 2% dividend
- ROCE of 20%
- Prove we are a well-balanced + flexible team set to take advantage of all opportunities presented to us

## Current status

- Turnover 2019 £44m 73% of target
- Underlying 2019 5.7% = Achieved
- Growth of 45% = 1.6% based on 35p share price
- 2019 = 24% Achieved

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**PIPPA CLARK**

**GLOBAL MARKETING DIRECTOR**

# THE MARKET

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Health + Beauty continues to outpace other FMCG categories - **+9% 2015 – 2018**

UK 6<sup>th</sup> largest personal care product sales at £10.2bn in 2017 – per capita spend to increase **£73 - £487 over next 5 years**

2018 was the year **Sustainability and Well-Being** moved into the mainstream

By 2022 UK consumers are forecast to spend **£487 per head annually on ‘wellness + well-being’**

UK leading innovation – **37% of all 2018 global launches in the UK**

**Facial Skincare** biggest category – **71% of launches in UK in 2018**

**Beauty Online** 2017 8.5%– predicted to **grow to 11.6% 2022**

**Female Dominated** – 78% saturation vs 41% Males purchasing

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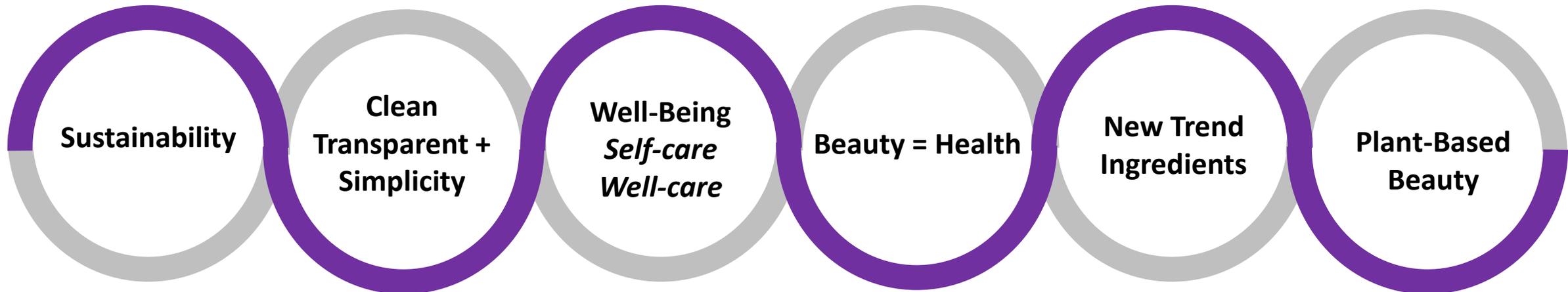


Sources: Mintel 2018 + Feb 2019 / Global Data 2018

# MARKET + CONSUMER DRIVERS

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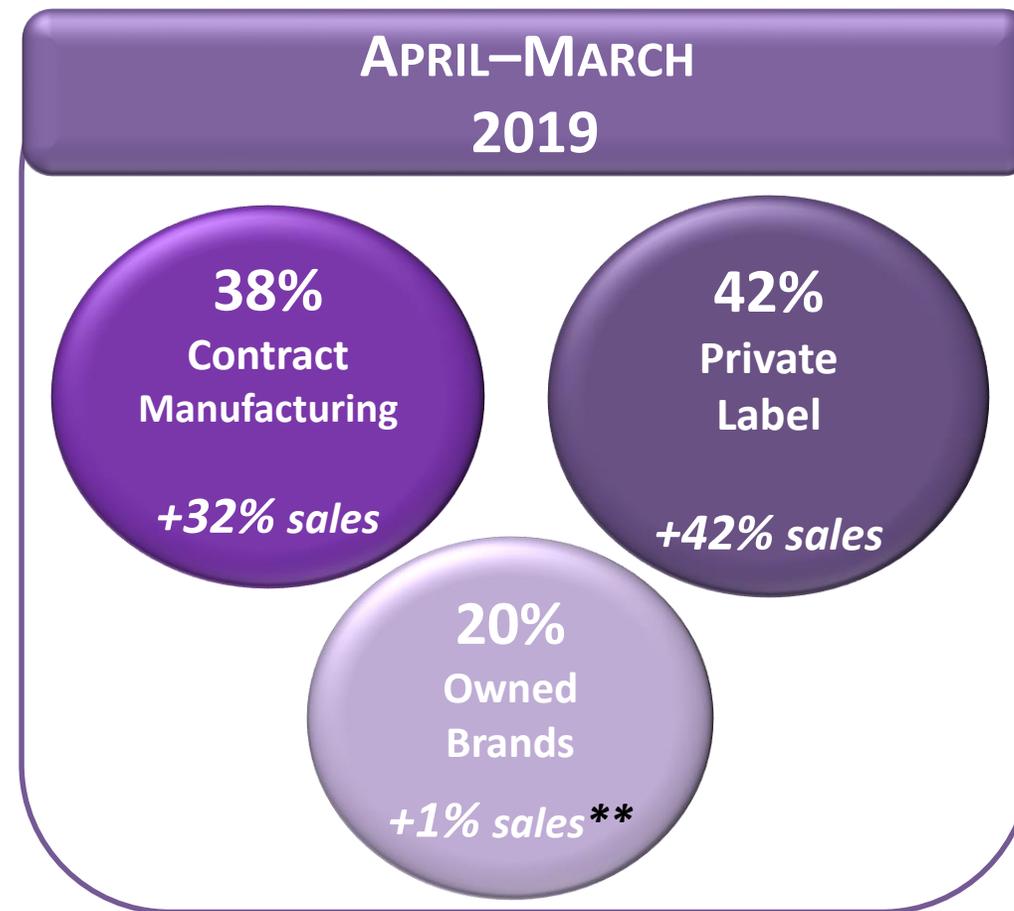
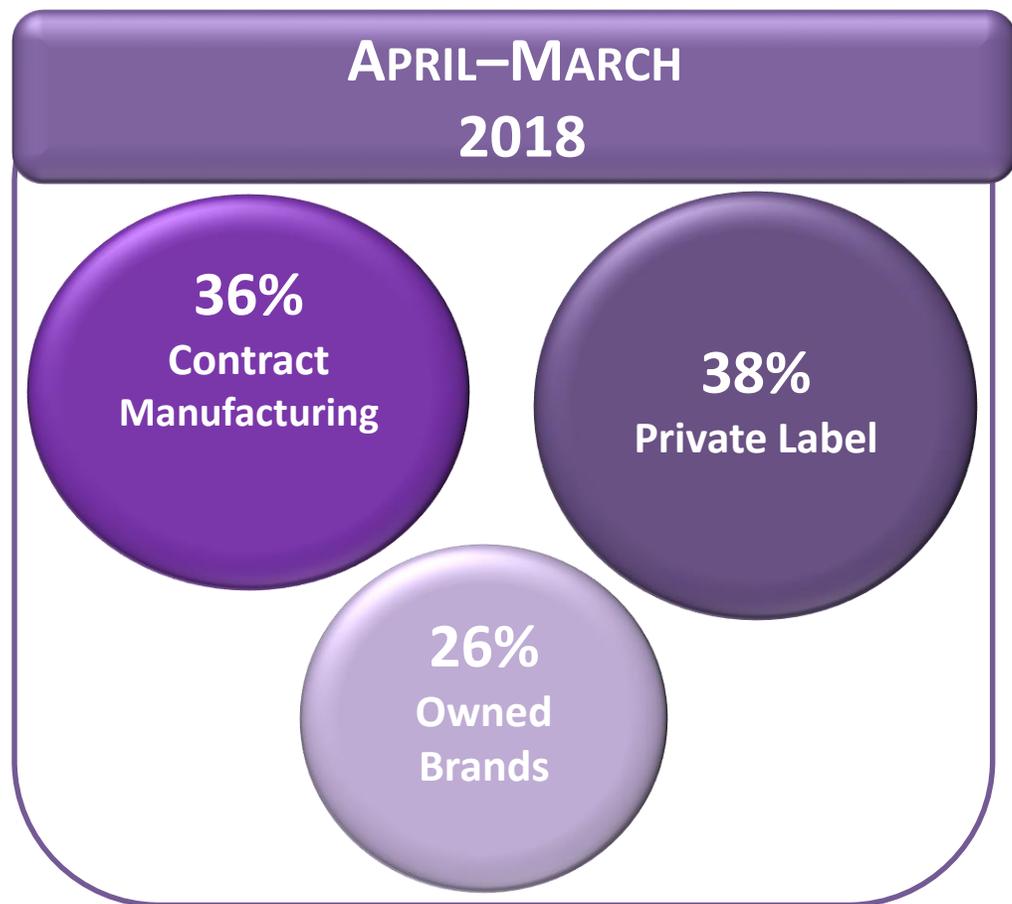
Retail Landscape Evolving  
Speed of Innovation  
Capitalising on Trend  
High level Acquisition Activity



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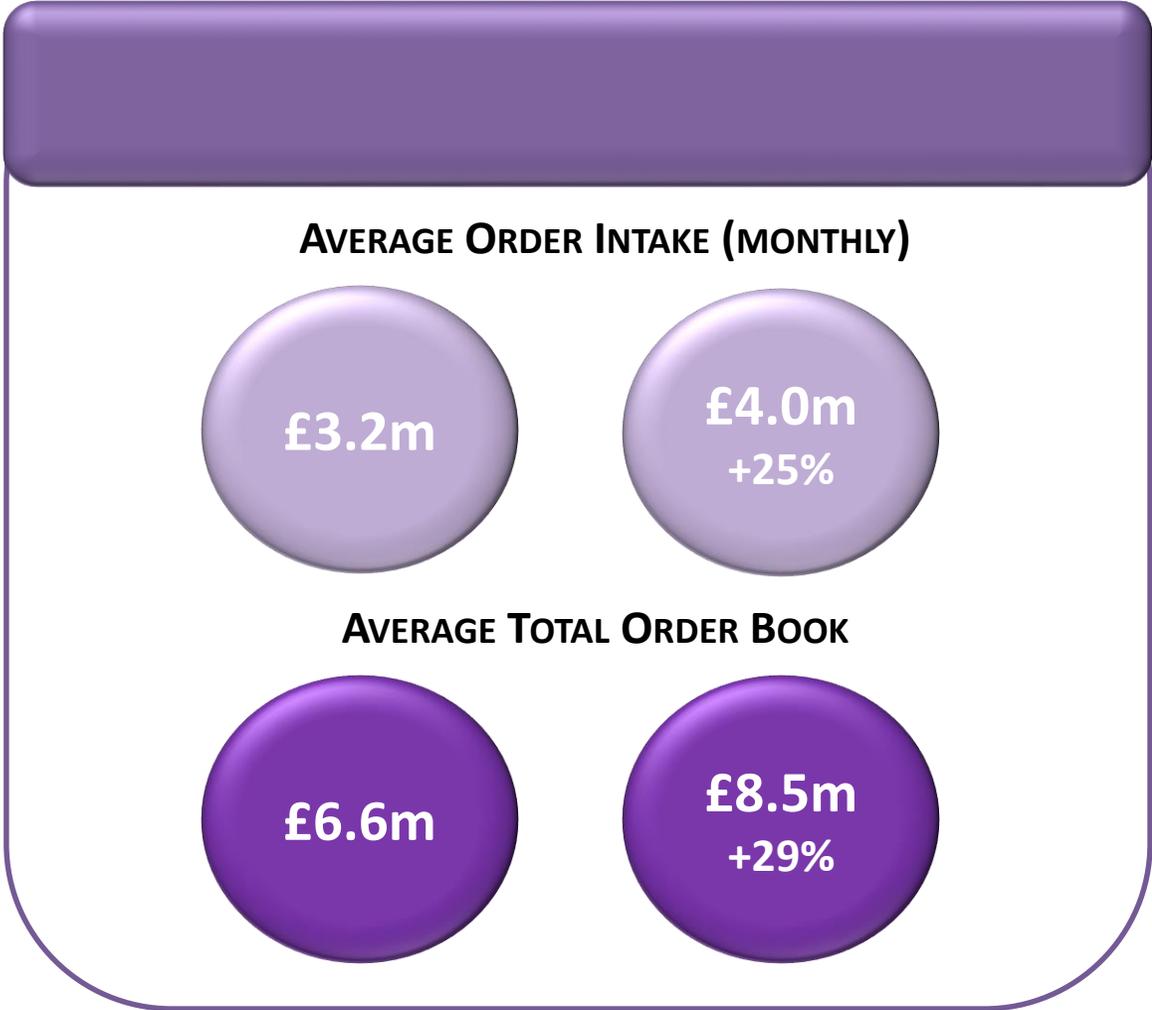
# DIVISION PERFORMANCE

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**\*\* Move out of licence brands – margin dilutive**  
**Reduction in UK discount distribution**  
**Increase in High Street distribution +136%**  
**Export +6.4% Branded Sales**

# ORDER BOOK



# BRAND DEVELOPMENT

Sales Revenue: +153% yr on yr

Driven through 4 key markets

New Market Launch:  
Clicks, South Africa

New NPD:  
2 new SKUs in 2019



*'Actually works. Whenever my hair goes flat, a few sprays of this and the curls are back'*

THE  
**CURL**  
COMPANY™

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*..... first product I have found that does exactly as it says on the packaging!*

# BRAND DEVELOPMENT

Sales Revenue: +115% yr on yr

2 Key UK Retailers

New Market Launches:  
Priceline, Australia  
ETOS, Netherlands (trial stores)

NPD:  
2019 Christmas Gift Programme



*Been using this for a week now and it's amazing. Sleeping like a baby :)*

MADE IN ENGLAND  
**Feather & Down**  
SLEEP MATTERS



*'Sleep in a bottle!'*



*Fantastic product and would recommend to all my friends.*

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**83%** fell asleep quicker than usual\*

\*In an independent study of 103 people over a 4 week period.

# BRAND DEVELOPMENT

## BAMbeautiful

NATURAL CARE FOR THINNING HAIR

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Launched May 2019  
Ideal World TV

Exceeded forecast by 80%

Most successful haircare brand launch  
on Ideal World TV

Show repeated 12 times

£200K@retail since May launch

Multiple Award Nominations



AS SEEN ON  
**TV**

*Used by  
Nadia Sawalha*

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5 Star Reviews



## BAMbeautiful

NATURAL CARE FOR  
THINNING HAIR

5 Star Reviews



### I can never be without Bambeautiful!

**Thank you** so much for creating these products.

I can honestly say it has made a **huge difference** to my hair ... and I've had **less hair loss** too.

My advice... try them, you will be **thrilled and amazed!**

*Miss Dolly Doodle - Instagram*

### Game changer . . .

I give these products a **massive round of applause!** They truly are a **game changer**. I would 100% recommend – I promise you will be thrilled with the results.

*LuckyLady99– Creightons.com*

### It's a miracle !

**Bambeautiful is a miracle!** Third use and I have the volume and my curls back, I can't believe it. I am so impressed with the product **I will never be without it.**

*Dony – Ideal World TV*

### Finally something actually works!

**I do not have to search anymore.** I use all of the products in rotation and can honestly say that I have **noticed a difference**, as have others!

I will be buying again for sure!!!

*FunkyFlipFlopFN – Ideal World TV*

# DIGITAL

Launched new customised platform  
Creightons.com

Relaunched Individual Brand Sites

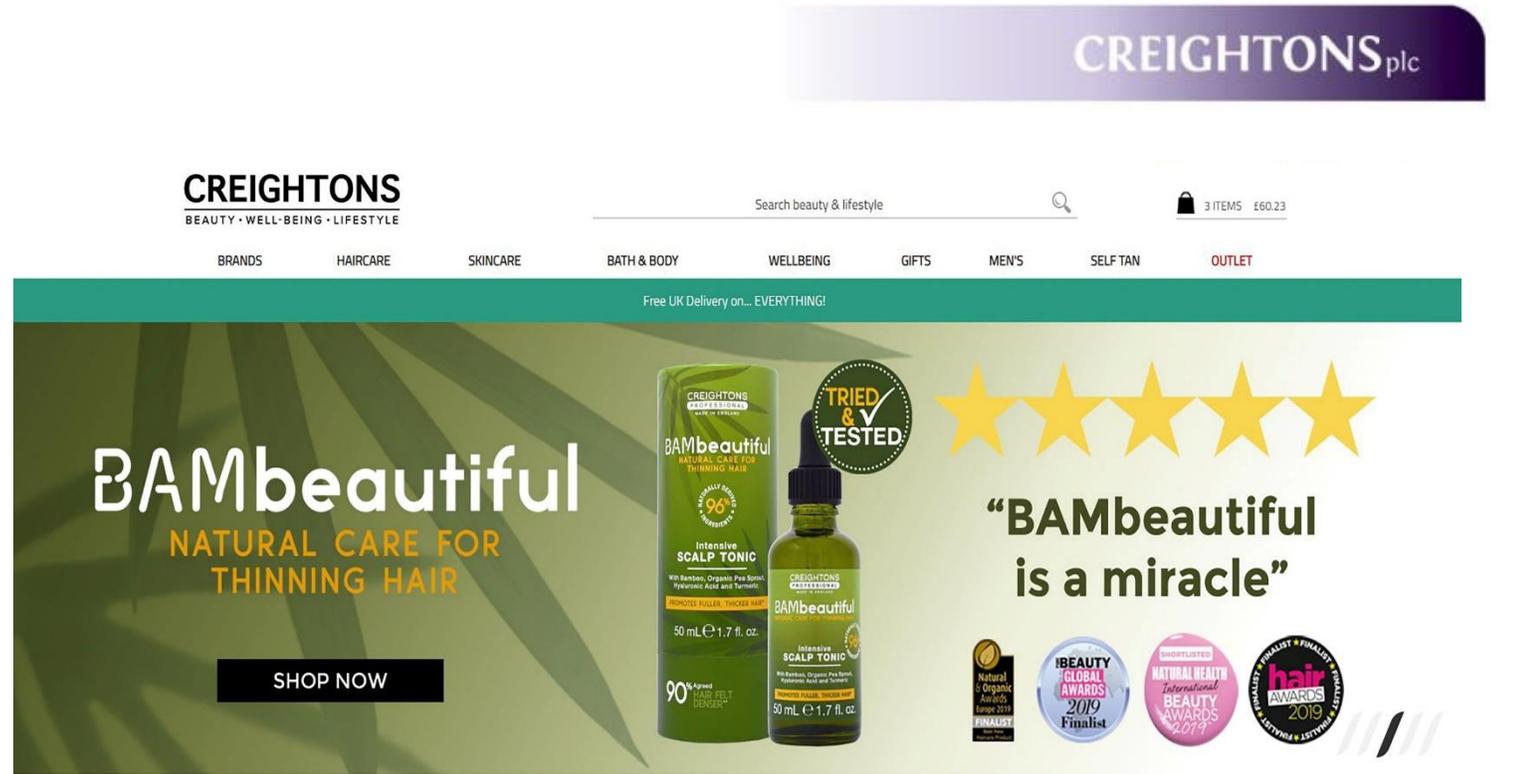
Digitally + Data Driven

Active Social Media Programmes

Direct to Consumer Communications

Team Investment  
Digital + Communications

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## FOLLOW US ON SOCIAL MEDIA



# BRAND ACQUISITION

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**BALANCE™**  
ACTIVE FORMULA

BREAKTHROUGH ACTIVE INGREDIENTS FOR VISIBLE RESULTS

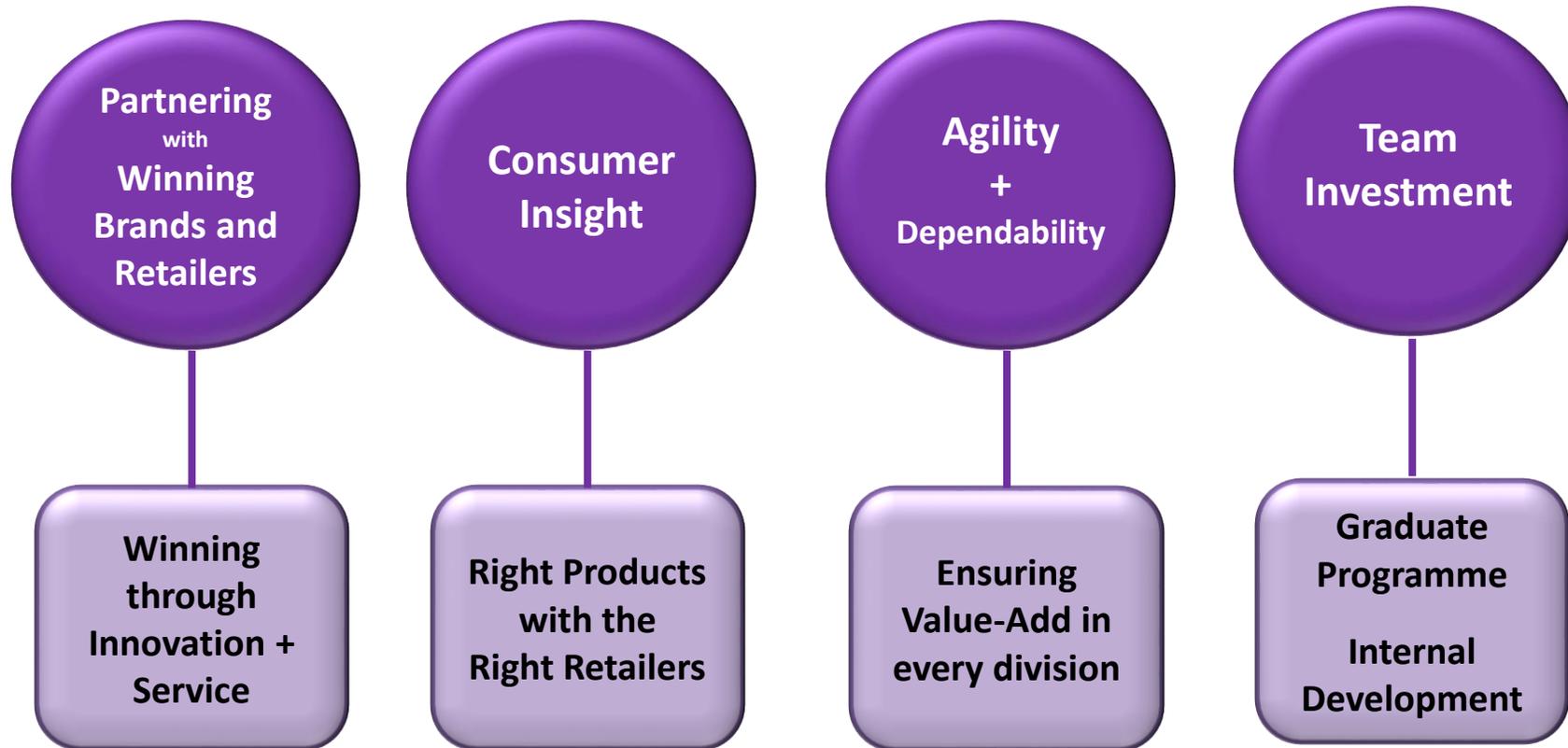


- Active levels for key performance
- Proven ingredients
- Quality formulations
- No jaw-dropping prices
- No excessive packaging
- Free-From formulas
- 5\* consumer reviews

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# CREIGHTONS DRIVERS

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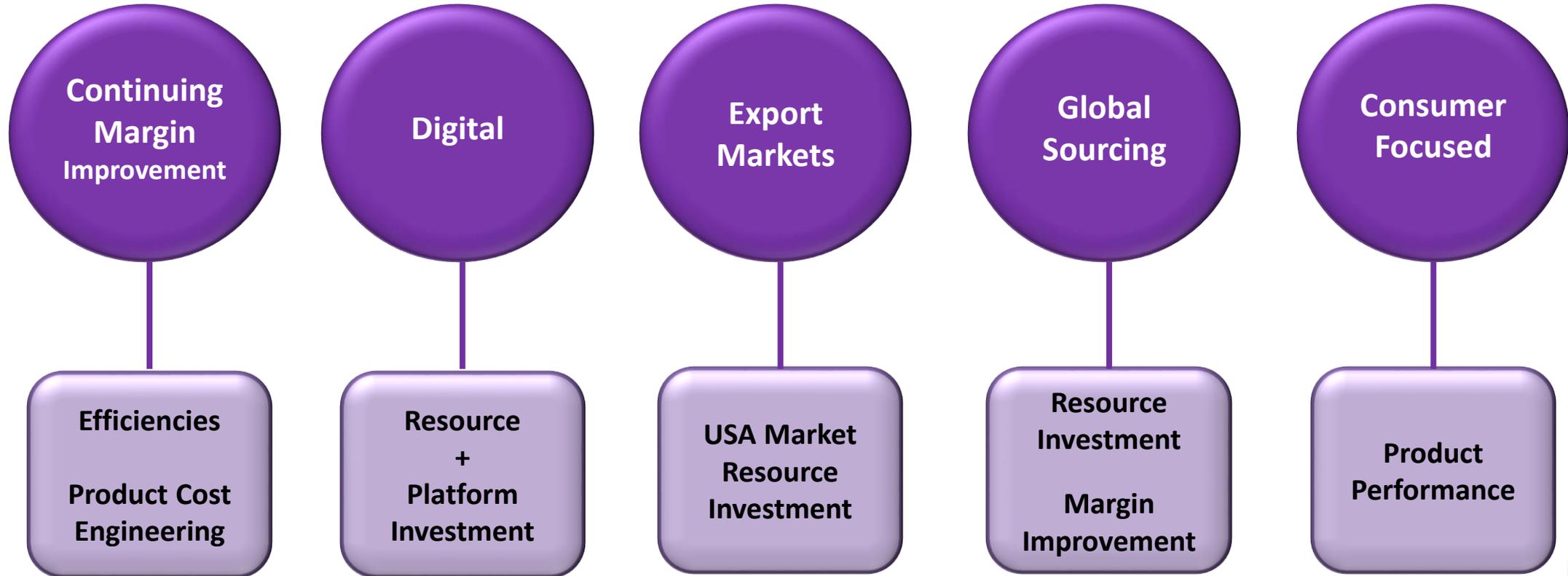


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# THE JOURNEY CONTINUES....

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**BERNARD JOHNSON**  
**GROUP MANAGING DIRECTOR**

# OUR ASPIRATIONS

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Complete the ongoing acquisitions (finance agreed in principle)

Finalise the acquisition of an additional brand within 6 months (bank finance and Creightons paper)

Close our successfully on calendar 2020 aspirations

- Sales £60mn
- Net Profit after tax 5%
- ROCE 20%
- Dividend 2%

Set out our 'aspirational' stall for March 2024

- Sales £100mn
- Net Profit after tax 8%
- ROCE 30%
- Dividend 2.5%

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# OUR ASPIRATIONS

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Based on spending £5mn

- Build/revamp factory and machinery
- Automation and AI being a priority
- Repatriate warehousing, picking + packing

Based on spending £30mn

- Brand Acquisitions £8mn
- Web Retailing Acquisitions £20mn
- Web Retailing Software and Equipment £2mn

Aspire to raise circa £10mn equity to support programme of expansion – balance from cash generation and borrowing

By 2024 we would hope to see annual sales of £100mn

- Web Global Sales £30mn
- Brands to UK retail £15mn
- Brands to Global retail £6mn
- Brands to Shopping Channels £4mn
- Contract Manufacturing £20mn
- Private Label UK + Global £25mn

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# THANK YOU & QUESTIONS

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# APPENDICES

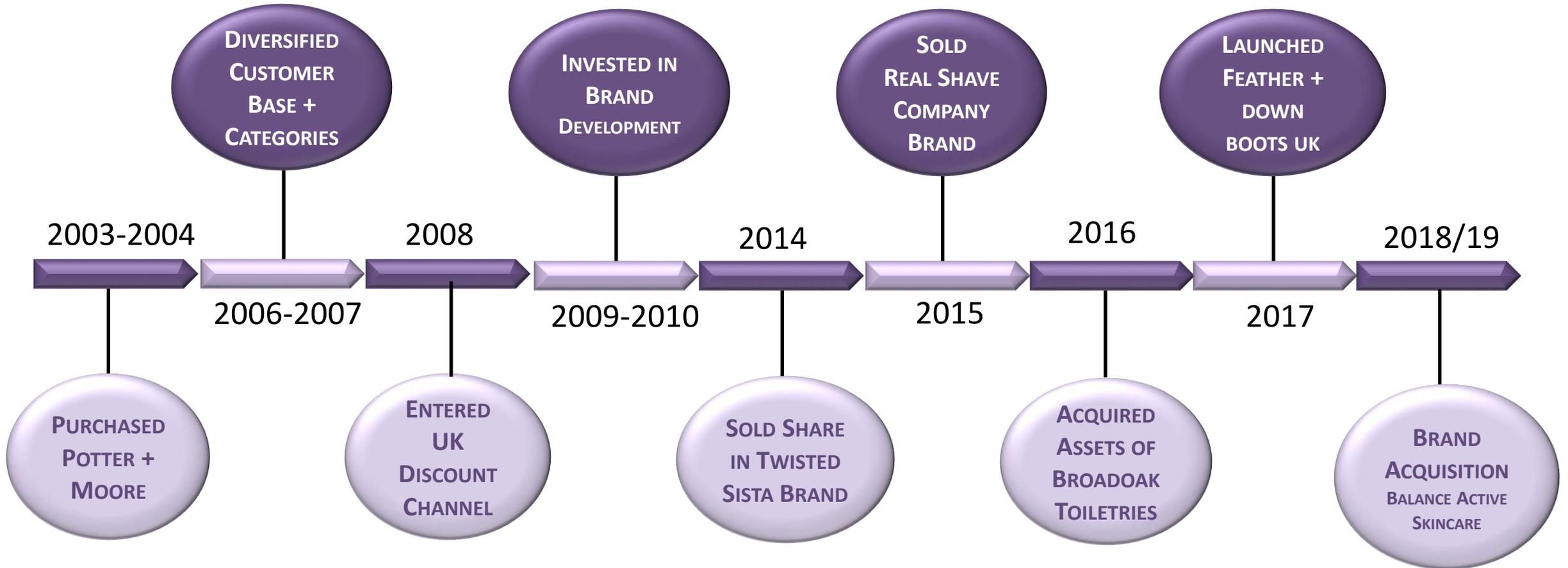
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potter+moore  
innovations ltd

**POTTER & MOORE**  
— (DEVON) LIMITED —

# HISTORY

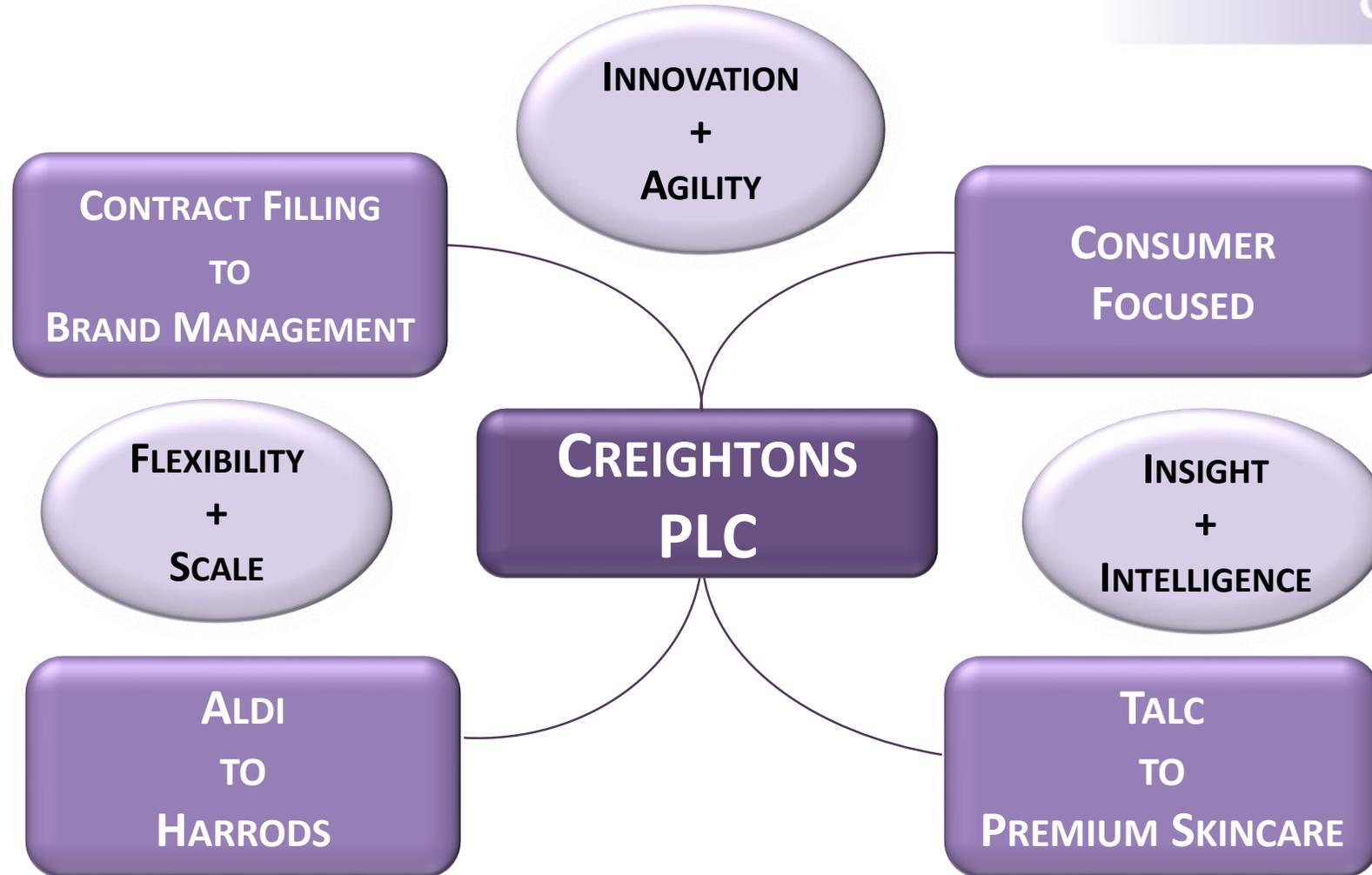
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# OUR USP

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# How We Do It

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## MORE THAN A MANUFACTURER SOLUTION PROVIDER

THREE  
BUSINESS  
CHANNELS

DIVERSE  
CUSTOMER  
BASE

CATEGORY  
EXPERTISE

BUYING  
POWER

FLEXIBLE  
MANUFACTURE

R+D  
EXPERTISE

BRANDS  
OWNED +  
LICENSED

PRIVATE  
LABEL

CONTRACT  
MANUFACTURING

VALUE  
MASS  
PREMIUM

10 BEAUTY +  
PERSONAL  
CARE  
CATEGORIES

MULTIPLE  
SOURCES

VOLUME  
TRADE

RISK  
MANAGEMENT

LOW TO HIGH  
VOLUME RUNS

WIDE RANGE  
FORMULATIONS

DIVERSE  
PACKAGING

FIRST TIME  
ON TIME

ROBUST  
NPD

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# PRODUCTION CAPABILITIES

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## Liquid Mixing

13 vessels

Batch sizes = 150kg – 6.5 tonnes

## Alcohol Mixing

5 Alcohol vessels

Batch sizes = 25kg – 3 tonnes



**BOTTLES**

**TUBES**

**JARS**

**POWDER &  
SALTS**

**ALCOHOL**

4 SEMI  
AUTOMATIC  
LINES (INC 1  
HIGH SPEED)

5 SEMI  
AUTOMATIC  
LINES (INC 1  
HIGH SPEED)  
+ 1 METAL TUBE

4 SEMI  
AUTOMATIC  
LINES

2 SEMI  
AUTOMATIC  
LINES

3 SEMI  
AUTOMATIC  
LINES

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# PRODUCTION CAPABILITIES

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**SOAP**

1 SOAP LINE  
WITH AUTO  
STAMPING



**GIFT**

4 GIFT PACKING  
LINES



**DIFFUSERS**

1 DIFFUSER  
FILLING, PACKING  
LINE,  
CELLOPHANE  
FINISH

# PRODUCTION CAPABILITIES

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## PACKAGING

- In house capabilities to manage tooling projects for bespoke packaging
- Global sourcing capabilities



## FILLING

- Glass blown prior to production
- Pump testing: evacuation testing, functionality, compatibility
- Chill filtering for fragrance clarity
- Ability to fill higher levels of ethanol



## FINISHING

- Glass finishes: Acid etching, spray etching, printed glass
- Tamper Evidence/ Cellophane wrapping
- Cartoning Finishes: Flocked, Fabric, metallic

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# OWNED BRANDS

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## KEY FEATURES

Develop & sell value, performance products at all levels of retail positioning

- Value
- Mass/High Street
- Premium
- Export

Trend/Consumer led/Innovation

Speed to market



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# PRIVATE LABEL

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## KEY FEATURES

Service performance, technical expertise + flexibility

Award winning supplier

Forecast based supply

Stock holding – day 1 for day 3 delivery

Volume variation 10k – 500k/annum

Contract filling to brand management



# CONTRACT MANUFACTURING

## KEY FEATURES

Make to order

3-4 month advanced order book

Wide breadth of customers

Excel at accounts standard fillers cannot manage

Niche position based on performance formulas,  
technical expertise and flexibility



## **WILLIAM MCLROY- CHAIRMAN**

Mr William McIlroy who has been Chairman and Chief executive of the Company for sixteen years has an extensive knowledge and experience of the personal care industry.

## **BERNARD JOHNSON - GROUP MANAGING DIRECTOR**

Bernard Johnson has been with the company for fifteen years working as Managing Director. He has been in similar senior positions with manufacturing businesses over the past 30 years, in many cases brought in on a rescue and recovery basis.

## **MARTIN STEVENS - GROUP DEPUTY MANAGING DIRECTOR**

Martin is a Chartered Chemist and has worked in the cosmetics industry for 32 years with extensive experience across the personal care and household sector in Research & Development, Quality Assurance, Production and Procurement. Martin has been Technical Director at Potter & Moore Innovations Ltd (the Company's principal trading business) and Creightons Plc for the past 16 years. He has previously been Technical Director of Norit Body Care Toiletries, Technical Director at the manufacturing division of AAH Pharmaceuticals Ltd, Chief Chemist at Columbia Products Co Ltd after initially entering the industry with L'Oreal working with brands such as Lancôme and Cacharel.

# BOARD PROFILES

## **PIPPA CLARK - GLOBAL MARKETING DIRECTOR**

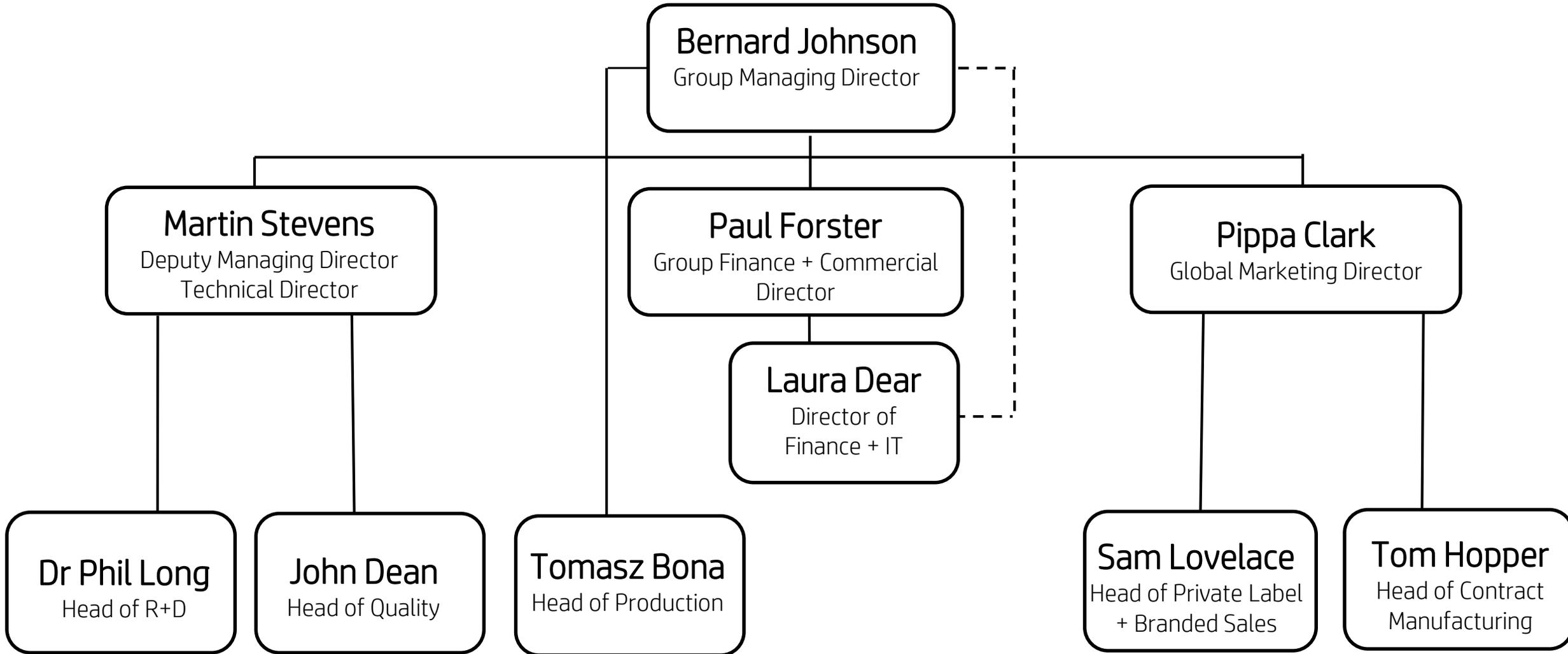
Pippa has worked within the industry for 20 years in a wide and extensive range of sales, marketing and commercial roles across private label, branded and contract businesses. In recent years she has headed up the development of the Creightons branded portfolio growing and extending the reach of the Company's award winning brands into multiple channels and international markets whilst also overseeing the development of the strengthening private label division of the business.

## **PAUL FORSTER - GROUP FINANCE + COMMERCIAL DIRECTOR**

This is a new role with responsibility encompassing manufacturing, logistics and procurement. Paul has been with the Potter & Moore Innovations business for 28 years, primarily working as Chief Financial Officer but also including spells overseeing manufacturing. Previously he was Finance Director of Beauty International Fragrance Ltd (BIF), who distributed the Coty fragrance range throughout Europe and the Far East. Prior to joining BIF Paul qualified as a Chartered Accountant with Touche Ross

# MANAGEMENT STRUCTURE

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