

# Interim Results

3 May 2023





**Jon Bunting**

**Chief Executive Officer**

**Headlines**

 **smiths news**

# *Delivering in a challenging macro environment*

### **Key metrics in line with plan**

- Adjusted Operating Profit of £20.4m up 6.8%
- Adjusted profit before tax of £17.1m, up 11.8%
- Adjusted EPS of 5.6p up 9.8%
- Average net debt of £26.3m down 55.3%

### **Strong sales and close cost control**

- Price rises driving strong revenues in the period
- One off events further boosting sales and margin
- Cost savings in line with plan
- On track for full year expectations

### **Progress on strategic goals**

- 65% of contracted revenues re-secured to 2029
- Smiths News Recycle launched network wide
- New category opportunities developing



**Paul Baker**

**Chief Financial Officer**

**Financial performance**

 **smiths news**

# Financial headlines

Revenue	£550.1m	+1.0%	↑
Adjusted operating profit	£20.4m	+6.8%	↑
Adjusted earnings per share	5.6p	+9.8%	↑

Free cash flow	-£0.2m	-101.1%	↓
Average bank net debt	£26.3m	-55.3%	↓
Interim dividend per share	1.4p	0%	

## **Revenue**

Price increases and one-off events

## **Free cash outflow**

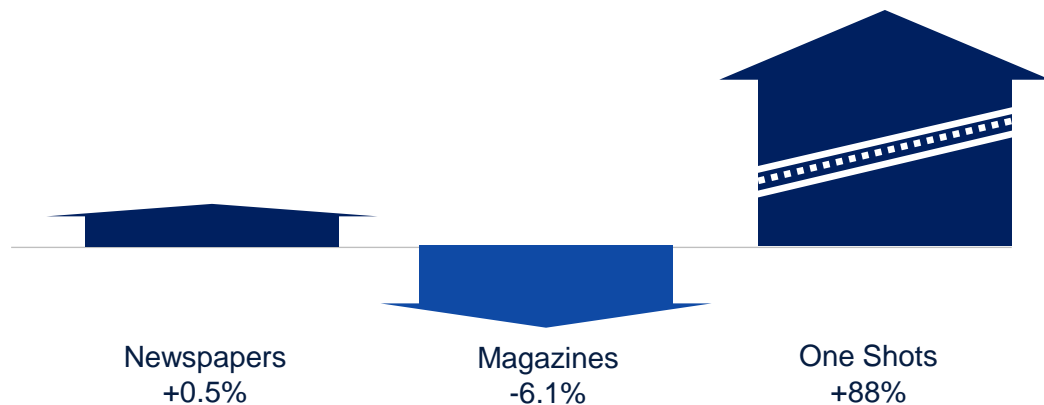
Prior year includes one-off receipts of £14.6m

FY in line with expectations

## **Interim Dividend**

Expectations to pay up to full £10m permitted

# Revenue year on year



## ***Newspapers***

Out-performing historic range  
Benefit of price increases

## ***Magazines***

Returning to historic range

## ***One Shots***

World Cup  
Pokémon trading cards  
Football collections

# Adjusted income statement

£m Adjusted	H1 2023	H1 2022
Revenue	550.1	544.8
<b>Operating profit</b>	<b>20.4</b>	<b>19.1</b>
<i>Operating margin</i>	3.7%	3.5%
Net finance charges	(3.3)	(3.8)
<b>Profit before tax</b>	<b>17.1</b>	<b>15.3</b>
Tax	(3.8)	(3.1)
<i>Effective tax rate</i>	22.2%	20.3%
<b>Profit after tax</b>	<b>13.3</b>	<b>12.2</b>
Number of shares	236.7	240.7
<b>Adjusted earnings per share</b>	<b>5.6p</b>	<b>5.1p</b>
<b>Dividend per share</b>	<b>1.4p</b>	<b>1.4p</b>

**Operating profit +£1.3m (6.8%)**

Better wholesale margin, and additional revenue offsetting impact of inflation

**Net finance charges -£0.5m**

**Increased EPS +0.5p (9.8%)**

# Free cash flow – continuing

£m	H1 2023	H1 2022
Adjusted operating profit	20.4	19.1
Depreciation and amortisation	4.8	5.3
<b>EBITDA</b>	<b>25.2</b>	<b>24.4</b>
Working capital	(13.6)	(7.8)
Capital expenditure	(2.1)	(1.2)
Lease payments	(3.2)	(3.3)
Net interest and fees	(2.7)	(5.2)
Taxation	(3.9)	(3.4)
Other	0.8	0.4
<b>Free cash flow (excluding Adjusted)</b>	<b>0.5</b>	<b>3.9</b>
Adjusted items – pension/ deferred consideration	-	14.6
Adjusted items – other	(0.7)	(1.0)
<b>Free cash flow</b>	<b>(0.2)</b>	<b>17.5</b>

## Free cash flow -£0.2m

Prior half year benefitted from one-off receipts.

H1 2023 impacted by £5m of trade receivables paid on the first day of H2

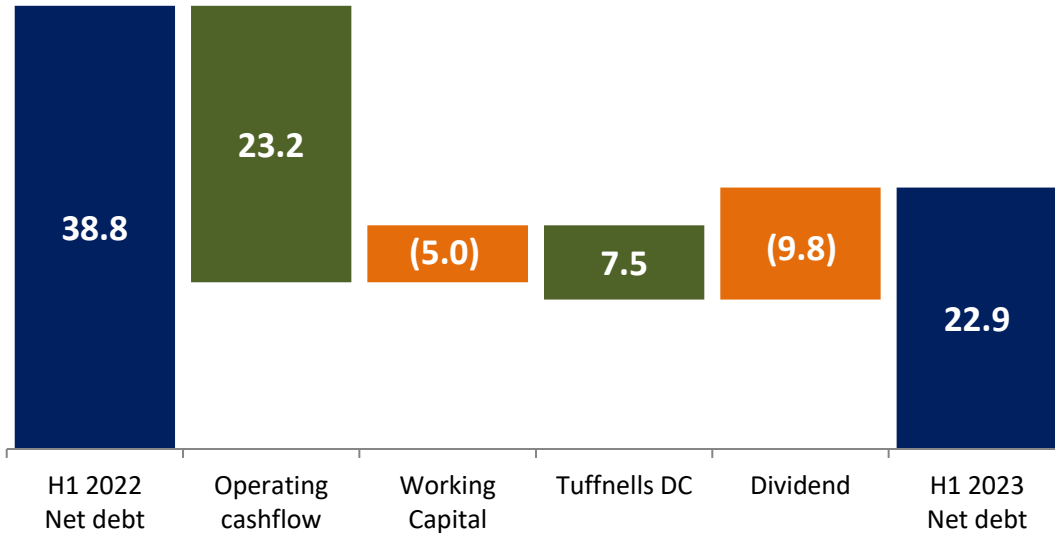
Underlying cash flow stable and consistent with previous years

**Capex** aligned to long-term target £4m

**Lease payments** are flat with 6 renewed and 2 exited contracts



# Movement in bank net debt since H1 2022



Working Capital Impacted by £5m of trade receivables paid on the first day of H2

## Net debt : EBITDA reducing

H1 2022	0.9x
H1 2023	0.5x

## Average net debt -55%

H1 2022	£59m
H1 2023	£26m

## Operating cashflow c£23m

Rolling 12 months

# Modelling guidance

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- **Adjusted operating profit** – maintain performance
- **Cash flow** – consistent underlying cash flows allowing debt reduction and dividends
- **Net debt** – reducing with consistent operating cash flows
- **Interest** – benefitting from reduction in debt, impacted by movement in SONIA
- **Capital expenditure** – c.10% of Adjusted Operating profit as previously advised
- **Dividends** – maximum permitted £10m under current facility



**Jon Bunting**

**Chief Executive Officer**

**Delivering success**

 **smiths news**

## Strong headline results

# *A good performance in line with our plans*



Strong sales benefitting from price and margin mix



Inflationary impacts managed to plan



Sustainable efficiencies progressing well





Accelerated contract awards clarifying network to 2029



Progress on new organic revenue streams

# A unique network and service proposition



-  Network of 36 depots – 24,000 daily deliveries
-  Exclusivity with all major publishers
-  Fixed high density footprint
-  Synergistic deliveries
-  Predictable volumes and costs
-  Essential partner to our customers

# Long-term value drivers

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## Accelerating our contract renewals

to give clarity of our network and cash flows



## Delivering great service

to support efficiency and minimise waste



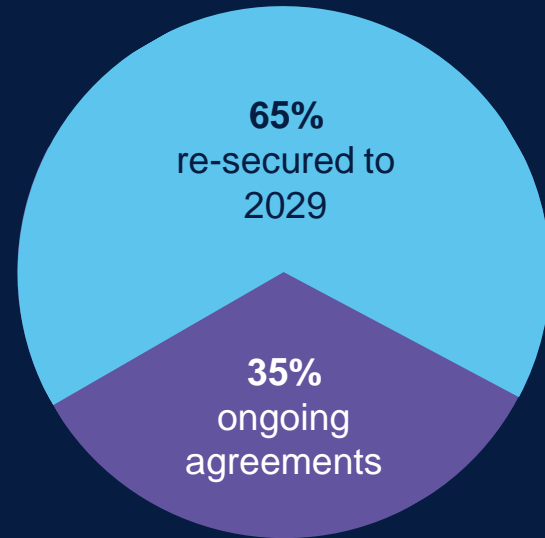
## Developing new profit streams

by leveraging our assets and customer base



## Accelerating our contract renewals

- Circa 65% of contractual revenues re-secured to at least 2029
- Clarity of network scale and footprint
- Visibility of future cash flows



### Contracted sales revenues

■ New contracts to at least 2029    ■ Existing agreement to 2025 / 2026



## Delivering great service

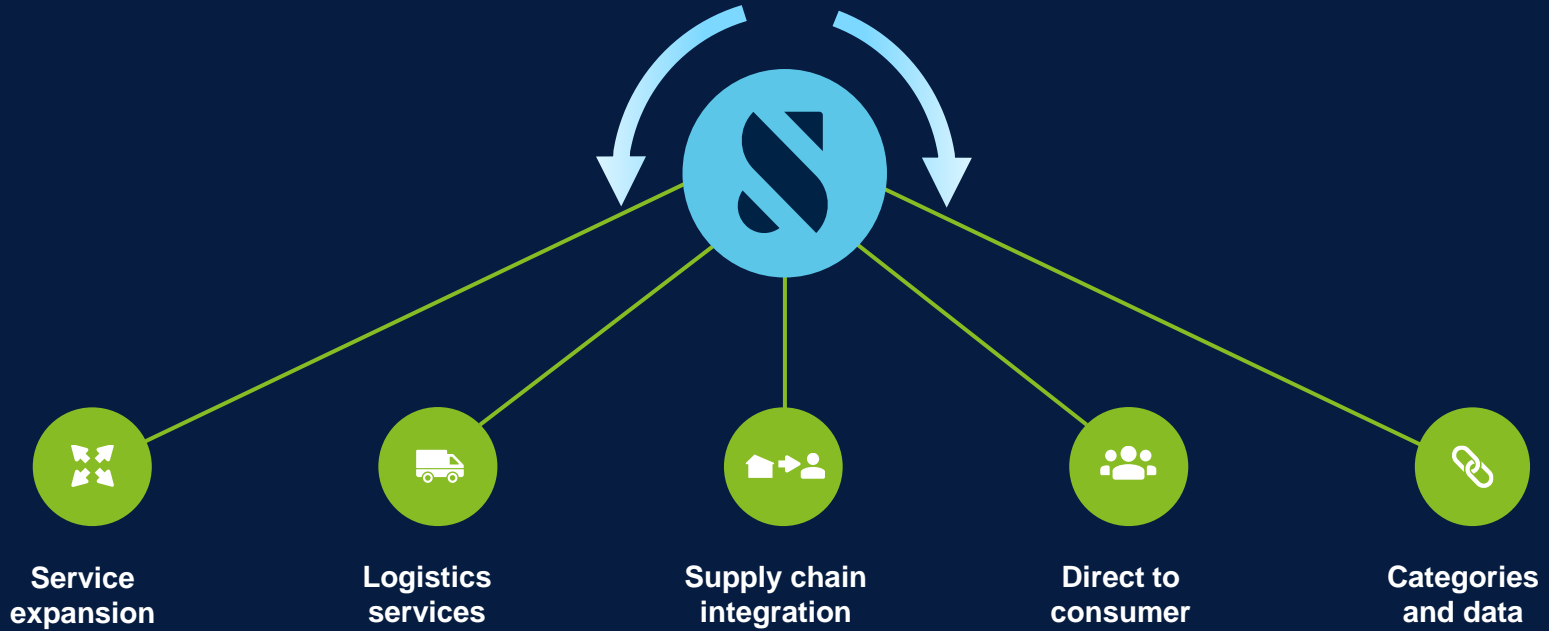
- Market leading KPIs
- No.1 for customer satisfaction
- Capital light operating model
- Long term efficiency opportunities
- Leveraging the network and customer base







## Developing new profit streams





## Developing new profit streams



- Network wide roll out from February 2023
- c.1,900 independent customers and growing at 100 per week
- Processing over 50 tonnes of cardboard and plastic waste every month

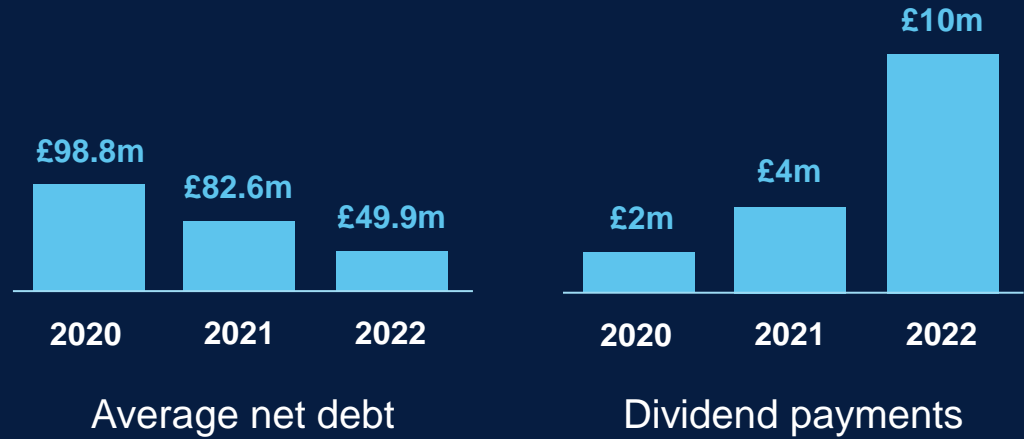


## NEW Categories

- Trials in FY2022 were successful
- Recent expansion of offer from DVDs to include books
- Supplying major retailers to provide scale and added value

# Tangible shareholder value

- Focused strategy
- Strong balance sheet
- Attractive dividends



***On track  
to deliver  
full year  
expectations***

- **Cover price growth normalising in H2**
- **Markets remaining resilient and predictable**
- **Clear flightpath for costs and efficiencies**
- **On track to meet full year expectations**



**Any questions?**

# Cautionary statement

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