

# The Pebble Group

Full year results 2019 and  
COVID-19 update

April 2020

The Pebble Group

# Introduction

## Full year results 2019 and COVID-19 update

### **Full year results 2019**

- We are pleased with the progress the Group has made in 2019
- We present the financial and operational highlights for the year

### **COVID-19 update**

- We provide a further update on the impact of COVID-19 on the Group
- In Brand Addition, actions have been implemented to protect the short-term and preserve the ability to quickly re-emerge
- Facilisgroup continues to perform well at this point

**Chris Lee, CEO**

**Claire Thomson, CFO**

**The Pebble Group**

# The Pebble Group

## Two differentiated businesses

	The Pebble Group	
<b>Our focused businesses in the promotional products industry</b>	<p><b>brand addition.</b></p> <p><i>Product and services</i></p>	 <p><b>facilisgroup</b></p> <p><i>Technology and services</i></p>
<b>Target market</b>	<p><b>Large global brands</b></p>	<p><b>SME promotional product distributors</b></p> <p><b>"Partners"</b></p>
<b>Services</b>	<ul style="list-style-type: none"> <li>• <b>Design</b> of corporate ranges and bespoke product</li> <li>• <b>Source</b> from ethical suppliers</li> <li>• <b>Deliver</b> across the globe</li> </ul>	<ul style="list-style-type: none"> <li>• <b>SaaS technology</b> to power efficiency and growth</li> <li>• <b>Supply chain consolidation</b> for buying dynamism</li> <li>• <b>Community</b> events and training</li> </ul>
<b>Revenue model</b>	<ul style="list-style-type: none"> <li>• <b>Margin</b> on products for services</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Subscriptions</b> for technology</li> <li>• <b>Fees</b> for supply chain management</li> </ul>
<b>Geographic hubs</b>	  	 

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# The Pebble Group Highlights in 2019

## **The Group**

- Major acquisition successfully integrated and delivering growth
- Successful IPO and Admission to AIM, raising a total of £135m and repaying all existing debt
- Experienced Board formed at IPO: Richard Law, Chairman; Yvonne Monaghan; Senior Independent Non-Executive Director; and Stuart Warriner as Independent Non-Executive Director

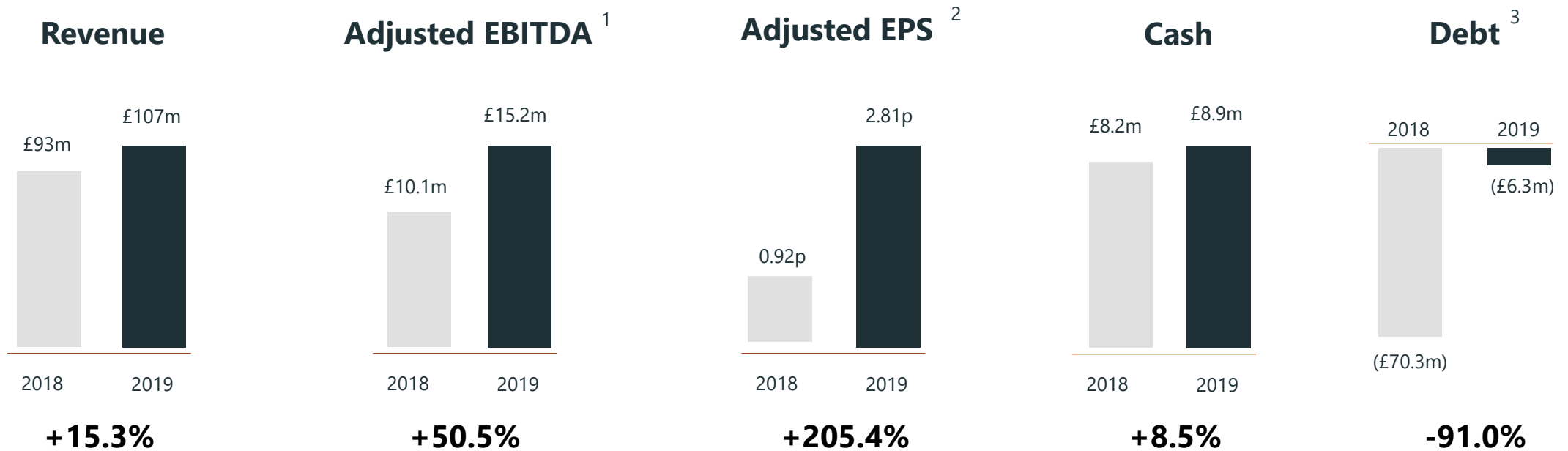
## **Brand Addition**

- Organic revenue growth of 6.1%, primarily driven by increased sales to existing customers in Consumer Promotions
- Continued track record of successfully retaining major client contracts
- Engaged in new business tender processes that resulted in major new business wins in early 2020 which we expect to begin invoicing in H2 20

## **Facilisgroup**

- Successfully integrated with investment in technology and people, including the appointment of new leadership and management team and setting a clear growth strategy
- Customer ("Partner") numbers increased to 149 (2018: 127) - an increase of 17.3%
- Total Partner sales processed through proprietary @ease SaaS platform at US\$801m (2018: US\$701m) - an increase of 14.3%

# The Pebble Group Highlights in 2019, KPIs



<sup>1</sup> Adjusted EBITDA is defined as operating profit adjusted to add back depreciation of property, plant and equipment, amortisation, and exceptional items

<sup>2</sup> Adjusted earnings per share is calculated as operating profits before amortisation of acquired intangibles and exceptional items less net finance costs and tax divided by the weighted average number of shares in issue

<sup>3</sup> Debt at 31 December 2019 relates to operating leases for Group properties included on the balance sheet in accordance with IFRS16

# 2019 income statement

## Financial statements

£'m	2019	2018 (restated)	Variance	Notes
<b>Revenue</b>	<b>107.2</b>	<b>93.0</b>	<b>14.2</b>	<ul style="list-style-type: none"> <li>+15.3%: FY Facilis £8.6m, organic growth BA £5.6m</li> </ul>
Gross profit	40.1	28.1	12.0	
Gross profit %	37.4%	30.2%	7.2ppt	<ul style="list-style-type: none"> <li>100% GP% in Facilis and +1.7 ppt from Brand Addition</li> </ul>
People & overhead	(24.1)	(17.4)	(6.1)	<ul style="list-style-type: none"> <li>Predominantly people costs variable in line with sales</li> </ul>
Adjusted EBITDA pre-Head Office	15.8	10.7	5.1	
Head office costs	(0.6)	(0.6)	-	
<b>Adjusted EBITDA</b>	<b>15.2</b>	<b>10.1</b>	<b>5.1</b>	<ul style="list-style-type: none"> <li>EBITDA delivered in line with expectation</li> </ul>
<b>Adjusted EBITDA %</b>	<b>14.2%</b>	<b>10.9%</b>	<b>3.3ppt</b>	
Dep. / Amort. / Exceptional	(20.1)	(2.9)	(17.2)	<ul style="list-style-type: none"> <li>Exceptional £17.3m: £13.4m Facilis deferred, £3.9m IPO</li> </ul>
<b>Adjusted operating profit</b>	<b>(4.9)</b>	<b>7.2</b>	<b>(12.1)</b>	
<b>Adjusted operating profit %</b>	<b>(4.6)%</b>	<b>7.7%</b>	<b>(12.3)ppt</b>	

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# 2019 Segmental analysis

## Financial statements

### Brand Addition

£'m	2019	2018	Variance
<b>Revenue</b>	<b>97.9</b>	<b>92.3</b>	5.6
Gross margin	30.8	27.5	3.3
Gross margin %	31.5%	29.8%	1.7ppt
<b>Adjusted EBITDA</b>	<b>10.7</b>	<b>10.2</b>	0.5
<b>Adjusted EBITDA %</b>	<b>10.9%</b>	<b>11.1%</b>	(0.2)ppt

### Commentary

- 6.1% increase in sales primarily from growth with existing clients
- ~ 30% gross margin and ~10% EBITDA margins have been achieved over the medium term
- Blue-chip client base backs the stock and debtors in working capital, leading to a strong balance sheet

### Facilisgroup

£'m	2019	2018 <sup>1</sup>	Variance
<b>Revenue</b>	<b>9.3</b>	<b>0.7</b>	8.6
Gross margin	9.3	0.7	8.6
Gross margin %	100%	100%	-
<b>Adjusted EBITDA</b>	<b>5.1</b>	<b>0.5</b>	4.6
<b>Adjusted EBITDA %</b>	<b>54.8%</b>	<b>71.4%</b>	(16.6)ppt

### Commentary

- First full year contribution to the Group
- Subscription and services business model leads to 100% gross margins and >50% EBITDA margins
- Aiming to maintain margins as growth continues
- Minimal working capital

<sup>1</sup> One month contribution in year of acquisition

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# 2019 Cash flow

## Financial statements

£'m	2019	2018	Variance	Notes
<b>Adjusted EBITDA</b>	<b>15.2</b>	<b>10.1</b>	5.1	
Movement in working capital	1.1	(1.4)	2.5	<ul style="list-style-type: none"> <li>Includes £1.1m IPO related accruals</li> </ul>
Capital expenditure	(2.1)	(1.2)	(0.9)	<ul style="list-style-type: none"> <li>BA £1.4m, Facilis £0.7m, 3<sup>rd</sup> party £1.0m, internal £1.1m</li> </ul>
<b>Adjusted operating cash flow</b>	<b>14.2</b>	<b>7.5</b>	<b>6.7</b>	<ul style="list-style-type: none"> <li>Continued strong cashflow conversion 86.2% excluding IPO</li> </ul>
Taxes paid	(2.5)	(1.0)	(1.5)	<ul style="list-style-type: none"> <li>ETR -19.7% , restricted interest, no deduction Facilis deferred</li> </ul>
Net finance costs	7.8	7.4	0.4	<ul style="list-style-type: none"> <li>Transaction cash flows funds raised less debt settlements</li> </ul>
Acquisitions and financing	(1.3)	(10.2)	8.9	<ul style="list-style-type: none"> <li>Facilis acquisition payments</li> </ul>
Exceptional items	(17.3)	(1.3)	(16.0)	<ul style="list-style-type: none"> <li>£13.4m Facilis deferred consideration, IPO related costs</li> </ul>
Exchange gain	(0.2)	(0.5)	0.3	
<b>Net cash flow</b>	<b>0.7</b>	<b>1.9</b>	<b>(1.2)</b>	



# 2019 Balance sheet

## Financial statements

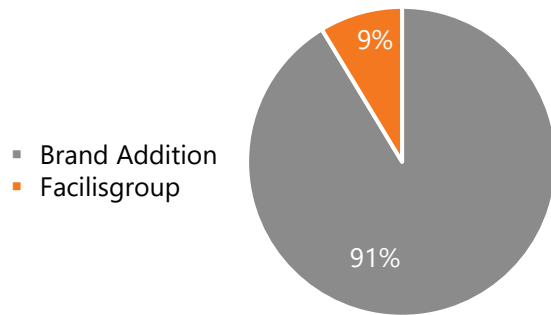
£'m	2019	2018	Variance	Notes
<b>Non current assets</b>	<b>56.4</b>	<b>55.6</b>	<b>0.8</b>	<ul style="list-style-type: none"> <li>Goodwill from acquisitions £35.9m, £9.8m customer relationships, £4.1m software</li> </ul>
Inventories	8.0	7.4	0.6	<ul style="list-style-type: none"> <li>Stock underwritten by BA clients</li> </ul>
Trade & other receivables	25.5	26.6	(1.1)	<ul style="list-style-type: none"> <li>Quality 'Blue Chip' customer base</li> </ul>
Cash & cash equivalent	8.9	8.2	0.7	
<b>Current asset</b>	<b>42.4</b>	<b>42.2</b>	<b>0.2</b>	
<b>Total assets</b>	<b>98.8</b>	<b>97.8</b>	<b>1.0</b>	
Borrowings	-	64.0	(64.0)	<ul style="list-style-type: none"> <li>Group became debt free on Admission to AIM</li> </ul>
Lease liability	5.5	4.2	1.3	<ul style="list-style-type: none"> <li>Leasehold properties held on balance sheet under IFRS 16</li> </ul>
Deferred tax liability	1.8	2.0	(0.2)	
<b>Non current liabilities</b>	<b>7.3</b>	<b>70.2</b>	<b>(62.9)</b>	
Borrowings	-	1.2	(1.2)	
Lease liability	0.8	0.9	(0.1)	<ul style="list-style-type: none"> <li>Leasehold properties held on balance sheet under IFRS 16</li> </ul>
Trade and other payables	27.6	28.3	(0.7)	
Current tax liability	0.2	0.6	(0.4)	
<b>Current liabilities</b>	<b>28.6</b>	<b>31.0</b>	<b>(2.4)</b>	
<b>Total liabilities</b>	<b>35.9</b>	<b>101.2</b>	<b>(65.3)</b>	
<b>Net assets/ (liabilities)</b>	<b>62.9</b>	<b>(3.4)</b>	<b>66.3</b>	

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# 2019 Operational review

## The Pebble Group

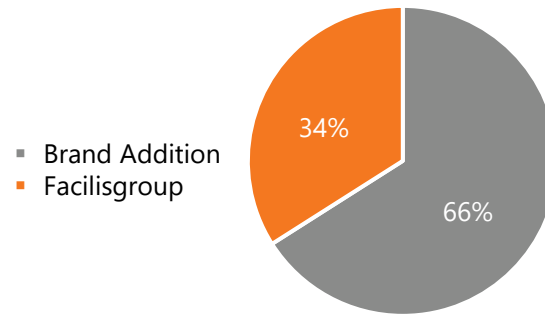
### Revenue by business



### Commentary

- Product revenue in Brand Addition
- Services revenue in Facilisgroup

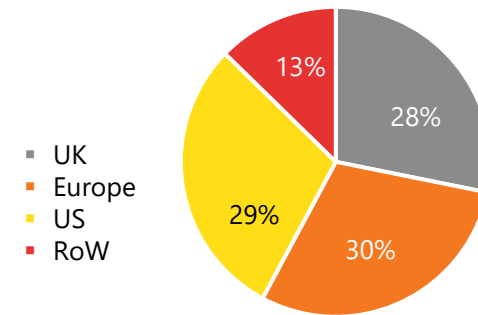
### Adjusted EBITDA by business



### Commentary

- Stable returns of ~10% in Brand Addition
- Excellent returns of > 50% in Facilisgroup

### Revenue by geography



### Commentary

- Well-diversified revenue
- Growth opportunities exist in all geographies

# Operational reviews 2019 highlights and 2020 updates



**Technology**

**Supply chain**

**Community**



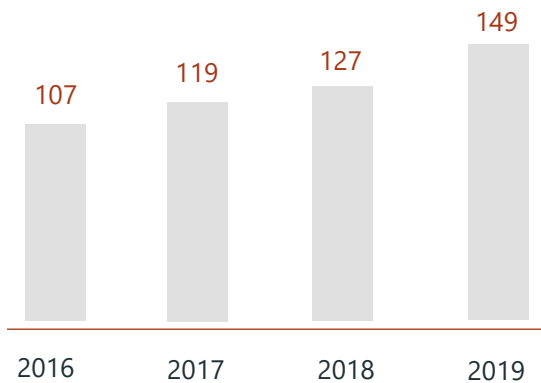
**Technology and services to SME distributors**

# 2019 Operational review

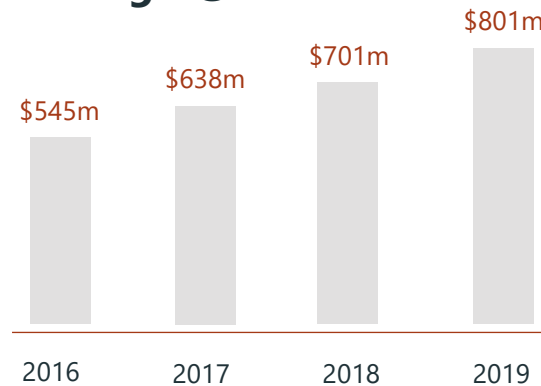
## Facilisgroup



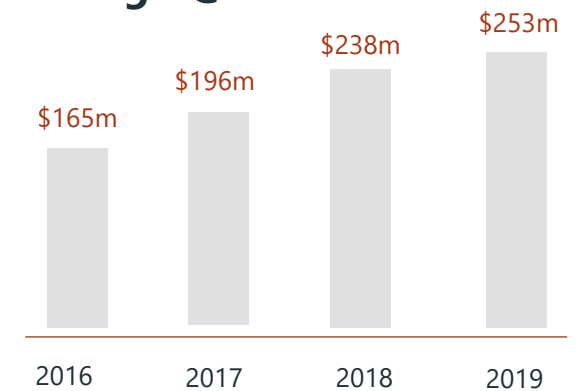
### Number of Partners



### \$'m Partner sales through @ease



### \$'m Preferred purchases through @ease



- New Partner growth continues with the quality maintained
- Entered 2020 with good pipeline of quality new Partners to join the business
- Implementation time reduced from 3 to 2 days
- New Partners can now be implemented remotely

- \$0.8bn sales through @ease platform in 2019
- Growth derives from existing and added Partners
- \$0.8bn sales represents a significant spend in the ~\$25bn North American promotional products market

- Company-Partner-Supplier community relationship is vital and drives win-win-win
- Partner benefits include rebates, competitive pricing, marketing support
- Supplier benefits include efficient access to a large part of their target market

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# 2019 Operational review

## Investments for growth - Facilisgroup



### Achieved

- Successfully integrated into The Pebble Group in first full year since acquisition
- Formalised the new leadership and management team
- Technology development team increased to 15 from 5
- Partner numbers grew to 149 (2018: 127)

### Points of focus

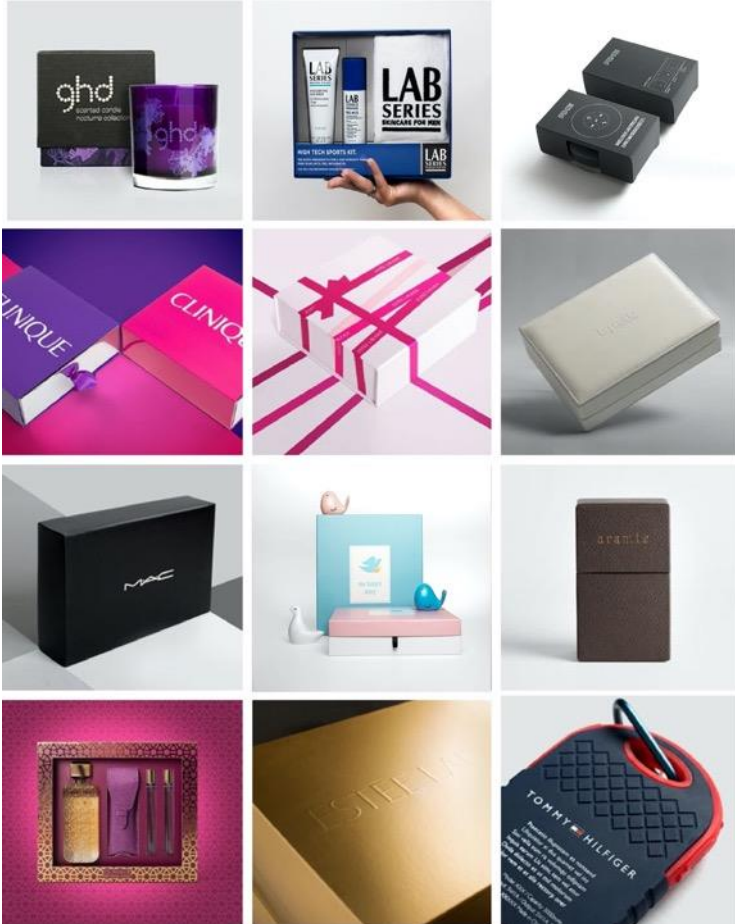
Three clear points of focus in 2020 and beyond:

- Responsibly increase our Partner numbers ensuring our Partner quality remains high, and the community relationships we create with our Partners and Suppliers remain strong
- Develop additional income streams, that augment the benefits available to our existing Partners and Suppliers
- Develop our technology and strong industry relationships to offer an adaptation of our existing services to industry entrepreneurs in the early stage of their business development

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## Consumer promotions



Creative Services.



Supply Chain Compliance.



Webshop Platforms.

# brand addition.



Sourcing & Quality Control.



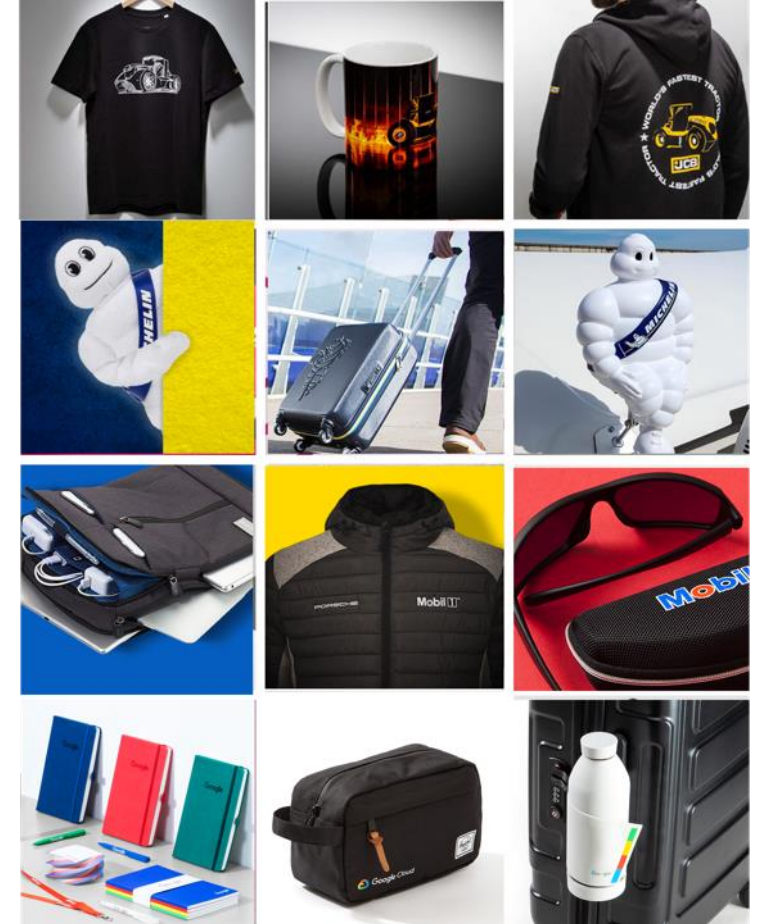
International Delivery.



Global Account Management.

Product and services to large corporates

## Corporate Programmes



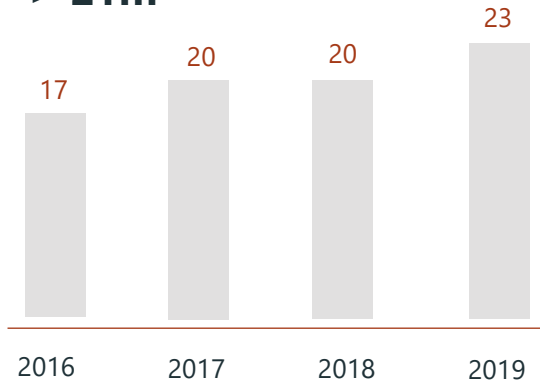
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# 2019 Operational review

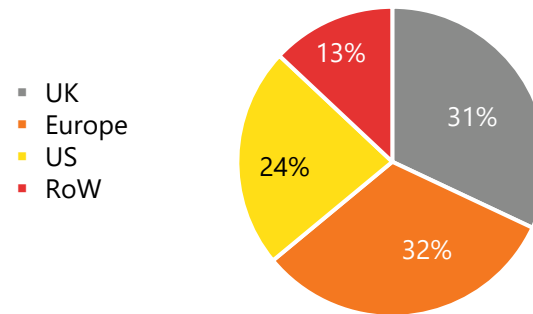
## Brand Addition

**brand addition.**

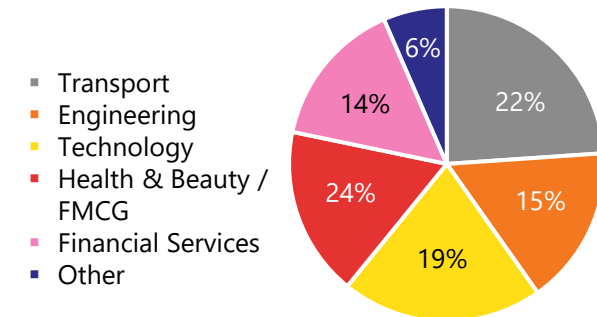
**Clients with revenue > £1m**



**Revenue by geography**



**Revenue by sector**



- Top 10 spending clients in 2019 accounted for 53% Brand Addition revenues (2018: 52%)
- Excellent retention levels of clients expected to continue
- As the Group grows, the impact on Group EBITDA of any single client relationship lessens

- Diversified revenue across geographies
- Increasing proportion of revenues has come from the US
- Full-service offices in the US, Europe and Asia can support blue-chip client base on a global basis, differentiating Brand Addition from much of the competition
- Brexit on the radar but expected to be manageable due the existing to international footprint

- Revenue diversified across sectors
- Additional clients won in early 2020 in Transport and Technology are in the process of implementation expected to commence in H2 2020

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# 2019 Operational review

## Investments for growth - Brand Addition

**brand addition.**

### **Achieved**

- Existing client retention remains strong and revenue was expected to grow before COVID-19
- New client relationships are expected to support recovery through being implemented in H2
- Good market opportunity exists as our target market of blue-chip corporates continues to move towards spend consolidation, protection of their brand equity and the increasing importance of sustainability. This meets the services offered by Brand Addition

### **Points of focus**

- Navigating through the major impact of COVID-19
- Acted quickly to manage costs using government initiatives in the US, UK, Ireland and Germany plus temporary salary reductions across Brand Addition and The Pebble Group Board
- Cost reduction programme implemented in a method that supports our team and the experience built up in the business
- Blue-chipped backed working capital
- Expect to re-emerge strongly when restrictions on our clients' businesses regarding working from home and travel lightens

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# COVID-19 impact 2020 activity update

# COVID-19 impact 2020 activity update, Facilisgroup



## Partner sales through @ease (Facilisgroup technology)

- Positive start to 2020, at the end of February, Partner sales processed through @ease +27% PY
- In the 2 weeks to 3 April there has been a spike in Partner sales following initial impact of COVID-19
- Partner reaction has been creative and nimble, with a number switching to healthcare products for new customers
- Expecting slowing of growth in Q2 and Q3 from lower Partner sales, assuming restrictions of working from home, travel and holding events are still in place

## Partner numbers and community strength

- Partner quality remains high with 9 new Partners added in 2020 (of which 3 were in March) and 5 are contracted awaiting implementation which can be done remotely
- As of 3 April 2020, the majority of Partner businesses remain with YTD sales growth
- Currently no Partner losses due to COVID-19
- Typical Partner profile is an owner-managed entrepreneurial business between \$2m to +\$10m sales that has the motivation and resources to adapt to the economic cycle
- Community culture built between Facilisgroup, Partners and Preferred Suppliers will be beneficial as we all work through the impact of COVID-19

# COVID-19 impact Summary

**brand addition.**

## **Corporate Programme clients ~70% divisional sales**

- Positive start to 2020, heavily impacted in March due to COVID-19
- A major impact on order intake in recent weeks, as clients have taken understandable action to protect their people and lockdown situations have impacted activity
- In the three weeks to 3 April, orders received equated to 28.4% of the comparable period of 2019
- March slowdown in Corporate Programmes expected to begin recovery in Q3 as normal work patterns return

## **Consumer Promotions clients ~30% divisional sales**

- Positive start to 2020, currently less impacted by COVID-19
- > 70% of expected orders for the year have been received (ahead of PY)
- Supply chain in China has been managed effectively and no disruption is currently expected
- At this stage, clients are seeing Christmas promotions as a return of consumer confidence

Clients are blue-chip corporates  
Stock is underwritten and currently no client losses or deterioration in debtor days

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# COVID-19 impact Summary



## Group actions

- The Group has quickly and responsibly faced the challenges presented and will continue to do so
- Balance sheet is strong, liquidity is good
- Utilisation of government initiatives to cover operational costs, where appropriate
- Temporary cost reductions implemented of £0.5m per month in areas of the business most severely impacted, effective from 5 April 2020
- Draw down of £7.7m on committed £10.0m revolving credit facility on 26 March 2020

# ESG Building brands, Growing relationships, Strengthening businesses

Our Group invests into a series of initiatives and activities to ensure a positive long-term impact on its stakeholders and its environments. Investing in People, Planet, Product.

## Accreditations



Ecovadis, Gold  
Top 1% of  
companies



IIP since 2009



- Quality Management
- Environmental Management
- Energy management

## Business initiatives

### ba.ONE, Sustainability & Growth



## Other ESG activities

- 311 vendor audits in 2019
- Corrective Action Plans agreed with vendors
- 6 internal accredited auditors
- Internal management programme
- Nominated charities

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# Outlook

- Brand Addition's Corporate Programmes activity is likely to remain severely affected for at least the duration of the lockdown restrictions
- Brand Addition's Consumer Promotions activity expected to remain broadly on track
- Facilisgroup expected to remain broadly on track
- The management team's actions will continue to ensure that the wellbeing of the Group's people is prioritised, its business capabilities are preserved and that cost and performance are optimised
- Financial performance guidance withdrawn for FY20 and FY21, until there is visibility on the lifting of lockdown restrictions
- The Board believes that The Pebble Group is well placed to manage the disruption and to benefit as normal business activity resumes
- Strong balance sheet and liquidity position with cash balances of £9.9m at 7 April 2020
- The Board remains confident in the long-term prospects of the Group