

Interim Results: Six months ended 30 September 2017

Chairman: Robin Williams

Chief Executive : John Foster



Overview : Six months ended 30 September 2017

- ❖ **Revenue + 4.2% to record £20.6million**
- ❖ **Pre tax profits PBT £1.40m (2016: £1.02m)**
 - ❖ **FIC:** No oil stimulus but revenue flat and PBT ahead by 10.9% to £578k
 - ❖ **Momart:** Further improvement & good progress filling new warehouse. PBT £283k vs £136k
 - ❖ **PHFC:** Profits £0.18m ahead to £542k on slowed attrition of passenger volumes
 - ❖ **Amortisation** now ceased. No non-trading items
- ❖ **EPS 8.7p (2016: 6.5p)**
- ❖ **Interim dividend 1.5p** per share payable January
- ❖ **Cash balances £15.0m (2016: £12.5m)**

FIH 2017 Interim Results : Trading Overview

- ❖ **FIG:** Solid results despite challenging comparatives and absence of oil stimulus. Good H1 performance from FBS and Support Services offsetting weaker retail and 4x4 sales. PBT £578k + 10.9%
- ❖ **Momart:** Encouraging growth in revenue and contribution. PBT + 108% to £283k (after start up losses of £94k on new warehouse). Museum Exhibitions revenues+ 4.8%, Galleries/ Auction Houses + 10.6%. Good progress in moving new warehouse towards breakeven (40% fill at 30 Sept) H1 loss £94k. Strong order book for H2.
- ❖ **PHFC:** H1 revenues up by 6.8% to £2.44m helped by one-off asset sales. Slower rate of decline in passenger volumes of -2.4% (-4.7%) and tight cost control. PBT + £0.18m to £542k

Trading Overview : Six months ended 30 September

Six months ended 30 September	2017 £'000	2016 £'000	Change +/-
Group Turnover	20,605	19,771	+4.2%
Operating profit	1,621	1,261	+28.5%
Group share of SATCO JV	20	25	-20.0%
Trading Profit	1,641	1,286	+27.6%
FIC Pension scheme financing costs	(60)	(60)	-
Pontoon & HP lease interest	(117)	(119)	-1.7%
Net Bank interest payable	(61)	(55)	+10.9%
Net financing costs	(238)	(234)	+1.7%
Underlying Pre Tax Profit (PBTae)	1,403	1,052	+33.4%
Amortisation of non-trading intangibles	-	(36)	-100%
Profit Before Tax	1,403	1,016	+38.1%
Diluted EPS on taxed PBT	8.7p	6.5p	+32.8%

Split by Business : Six months ended 30 September

Six months ended 30 September	2017 £'000	2016 £'000	Change +/-
Turnover			
FIC	8,576	8,561	0.2%
PHFC	2,440	2,284	6.8%
Momart	9,589	8,926	7.4%
Group Turnover	20,605	19,771	4.2%
Pre Tax Profit			
FIC	578	521	10.9%
PHFC	542	359	51.0%
Momart	283	136	108.1%
Profit Before Tax (PBT)	1,403	1,016	38.1%

Falkland Islands Company (FIC)





FIC Overview : Six months ended 30 September 2017

- ❖ **FIC Revenue** unchanged at £8.6m despite tough comparatives - strong kit home sales in FBS offsetting decline in Retail and 4x4 revenues.
- ❖ Overall **retail** sales down -6.5% at £3.99m, but margins improved
 - West Store sales -2.6%. (Competitor opening). Gift Shop -17.9% (no oil workers)
 - Home-Care sales -12.9% hiatus in govt housing completions
 - **Margins improved and overheads lower – contribution modestly ahead**
- ❖ **FBS** (construction) Sales + 27.9% to £1.9m -13 new kit homes sold vs 9 in H1 2016. Order book remains strong.
- ❖ **Property rental** income +6.3% (occupancy 88% + 6%)
- ❖ **Port Services & third party freight** income – no Northbound oil traffic -8.0%
- ❖ **Fishing Agency** – profitable following restructuring and increased catch verification work
- ❖ **SAtCO** JV largely inactive - £20k (2016 : £25k)
- ❖ **4x4 Sales** -9.9%to £1.37m (2016: £1.52m) – Defender sales ended -vehicle sales (34 vs 46) but further progress with Service and Parts & Fleet hire.
- ❖ **H1 PBT £0.58m** (2016: £0.52m)



FIC : Trading overview

6 months ended 30 September	2017	2016	Change
	£ million	£ million	%
<u>Revenue</u>			
Retail	3.99	4.26	-6.5
Falklands 4x4	1.37	1.52	-9.9
Freight & Port Services	0.52	0.57	-8.0
Support services	0.60	0.54	+11.7
Property Rental	0.22	0.21	+6.3
FBS (construction)	1.88	1.46	+27.9
Total FIC revenue	8.58	8.56	+0.2%
FIC underlying profit before tax, before JV	0.56	0.50	+12.5
SAtCO share of results of Joint venture	0.02	0.02	-20.0
Underlying Profit Before Tax	0.58	0.52	+10.9%

FIC : Redeveloped Crozier Place



FIC: New Home Builder Store and Home Living café



FIC : Outlook

- ❖ Oil : Premier Oil progressing final approvals with FIG – expected mid 2018 but production depends on further improvement in oil price.
- ❖ Argentina key to new air links with S America – recent mid terms in Argentina were positive for Macri and long term rapprochement with Falklands – opens up
 - Expansion of land based tourism – significant long term potential
 - Passenger interchanges & resupply then feasible for cruise ships
 - New air terminal being planned at MPA – tendering 2018
- ❖ Renewal of MPA infrastructure : MoD keen to work with local companies – FIC well placed for construction and Facilities Management outsourcing.
- ❖ Newly elected FI government considering options for new port facilities but may re-open site selection.
- ❖ Order pipeline for local housing strong into 2019.
- ❖ FIG infrastructure investment set to boost Stanley economy.
- ❖ Stable outlook pending positive movement on key strategic drivers above



Momart : Basquiat Exhibition – Barbican Summer 2017





Momart : H1 Sales Analysis

Momart	6 months to 30 September		Variance	
	2017 £'000	2016 £'000	£'000	%
Revenue				
Gallery Services	3,181	2,877	304	10.6%
Exhibitions	5,299	5,058	241	4.8%
Storage	1,109	991	118	11.9%
Total Revenue	9,589	8,926	663	7.4%
Revenue from				
Overseas	3,295	2,408	887	36.9%
UK	6,294	6,518	-224	-3.4%
Total Revenue	9,589	8,926	663	7.4%



Momart : Six months ended 30 September 2017

- ❖ **Revenue up 7.4% to £9.59m** (2016: £8.93m) to record H1 level.
- ❖ Exhibition / Museum revenue +4.8% to £5.30million (2016 £5.06million)
 - Notable recent exhibitions:, “Matisse at Work “ at the Royal Academy, “Abstract Expressionism” from Bilbao, “Scythian Nomads” at the British Museum, “Basquiat : Boom for Real ” at the Barbican and “Plywood” and “Balenciaga” at the V&A, “ Soul of Nation” and “Giacometti” at Tate Modern.
 - Margins improved and order book at September 2017 + £1.2m
- ❖ **GS Revenues + 10.6%** to £3.2m – Auction House growth, private clients, corporate clients also ahead. Gallery sales face tough competition.
- ❖ New FD : **Overheads tightly controlled.**
- ❖ **New Leyton warehouse now 40% let** - H1 loss £94k vs fixed costs £500k pa
- ❖ On maturity should generate £0.25m contribution + ancillary handling revenue
- ❖ **H1 PBT : £0.28m** (2016: £0.14m) after absorbing Unit 14 start-up loss.
- ❖ **Outlook Positive** : Strong order book continuing momentum in H2



Momart : Trading Summary

Momart - 6 months ended 30 Sept 2017	2017 £ 000's	2016 £ 000's	Change %
Gallery Services	3,181	2,877	10.6%
Museums & Public Exhibitions	5,299	5,058	4.8%
Storage	1,109	991	11.9%
Total Revenue	9,589	8,926	7.4%
LfL Operating Profit *	395	182	117.0%
Start up Loss on new warehouse	-94	-5	
Operating Profit	301	177	70.1%
Amortisation of intangibles	-	-36	
HP & Bank Interest	-18	-5	
Pre Tax Profit	283	136	108.1%
Operating profit margin*	4.1%	2.0%	+2.1%

 **Momart : Leyton Unit 14 now 40% full**



Gosport Ferry (PHFC)





Gosport Ferry : Six months ended 30 September 2017

- ❖ **Ferry revenues ahead by 6.8%** to £2.44m (2016: £2.28m)
- ❖ Boosted by stronger summer cruising and parts sales - “Other Income” + £0.1m to £0.22m
- ❖ **Fare rises** averaging 4% in June 2017
 - ❖ Adult Return fares £3.50 (2016: £3.40)
 - ❖ Promotional fares to boost demand (Bikes Go Free / Family Saver tickets, Park & Float)
- ❖ **Passenger number attrition slowed** to -2.4% (2016 : -4.7%)
 - ❖ Helped by completions of works on Portsmouth rail/bus passenger interchange
But still impacted by heavily subsidised Park & Ride scheme & low petrol prices.
 - ❖ August arrival of HMS Queen Elizabeth.
 - ❖ Passenger volumes volatile and weather dependent
 - ❖ Weekend traffic more robust
 - ❖ H1 Pax now 1.4m (2016 1.44m)
- ❖ **PBT** (after overhead allocation) **up by £0.18m** at £0.54m in H1 (2016: £0.36m)

Gosport Ferry (PHFC)



FIH : Strategy

Group:

- ❖ Continuing search for strategic, added value acquisitions
- ❖ Leverage cash flow to increase scale & critical mass of quoted group

FIC:

- ❖ Drive incremental improvement of core business. Opportunities from government and MoD infrastructure projects pending development of oil / expansion of tourism.

Momart :

- ❖ Focus on margin enhancement and rapid fill of expanded storage facilities at Leyton.

PHFC:

- ❖ Maintain steady profits & strong cash flow



Outlook at 30 September 2017

❖ **FIC:**

- ❖ Stable H2 trading post oil exploration
- ❖ Normal H2 boost from Christmas & summer tourism expected
- ❖ Some stimulus expected from FIG capital projects and refurbishment activity at the MPA military base but costs under pressure from 11% rise in minimum wage to £6.58/hr

❖ **Momart :**

- ❖ Strong September order book to support continuing momentum in H2
- ❖ Growth opportunities in both commercial and public sector market
- ❖ New storage will be drag on H2 profits but targeting break-even run rate by year- end – positive for 2018-19

❖ **PHFC :**

- ❖ Steady trading performance & strong cash flow set to continue
- ❖ Longer term outlook depends on cessation of passenger attrition

Overall:

- ❖ Solid H2 in prospect with strong cash generation
- ❖ Sound longer term prospects for all 3 group businesses
- ❖ Strategic acquisition being actively sought to drive shareholder value

Appendices

Cash Flow, Balance sheet, Net borrowings & liquidity,
and Acquisition Criteria



Cash flow - for the six months ended 30 September

Cash Flow	2017 £'000	2016 £'000
Operating Profit	1,621	1,225
Depreciation and amortisation	812	791
Provision for share based payments	18	26
Increase in working capital & Other	(982)	(2,227)
Net Cash Flow from Operations	1,469	(185)
Takeover costs paid	(165)	-
Tax paid	22	(112)
Capital expenditure	(377)	(922)
Dividend paid	(497)	-
Other	(14)	31
Net cash flow before loan repayments	438	(1,188)
Bank & HP Interest and Borrowings repayments	(490)	(346)
Total decrease in Cash	(52)	(1,534)



Balance sheet

All figs £ '000's	30 Sept 2017	31 March 2017	30 Sept 2016
Tangible Fixed Assets	19,731	20,147	20,084
Investment properties at net book value	3,655	3,723	3,596
Goodwill & Intangibles	11,820	11,846	11,972
Deferred tax, Joint Venture & HP due after 1 year	1,762	1,780	1,555
Total non current assets	36,968	37,496	37,207
Working Capital - Net	2,611	1,367	2,824
Cash	15,027	15,079	12,503
Corporation tax payable	(527)	(182)	(313)
Bank Loans etc due within 1 year	(610)	(615)	(538)
Net Current Assets	16,501	15,649	14,476
Bank Loans etc due after 1 year	(3,178)	(3,460)	(2,830)
Finance Lease re Pontoon due after 1yr	(4,747)	(4,764)	(4,780)
Pension Provisions & Def. Tax	(5,185)	(5,176)	(4,724)
Equity Shareholders funds	40,359	39,745	39,349
Net Assets per share	£3.25	£3.20	£3.17

Borrowings, Cash & Liquidity

All figs £ '000's	30 Sept 2017	31 March 2017	30 Sept 2016
Bank Loans* & HP due within 1 year	(576)	(582)	(506)
Bank Loans* & HP due after 1 year	(3,178)	(3,460)	(2,830)
Total borrowings & HP	(3,754)	(4,042)	(3,336)
Free Cash	15,027	15,079	12,503
Net cash excl. 50 year Pontoon lease	11,273	11,037	9,167
Long term Pontoon Finance Lease	(4,781)	(4,797)	(4,812)
Total Net Cash	6,492	6,240	4,355
Net Tangible Assets	28,539	27,899	27,377
*Bank loan interest: 5 year fixed at 3.9% pa to October 2020			

Acquisition Criteria 2017

- ❖ Direct synergies with its existing operations desirable but not essential
- ❖ Sectors of interest:
 - ❖ Support services (incl. fine art services)
 - ❖ Storage
 - ❖ Facilities Management
 - ❖ Transport
- ❖ Also :
 - ❖ Industrial services / general /Oil services
 - ❖ Consumer services



Acquisition Criteria 2017 cont.

- ❖ Location: UK possibly with European / N American links
- ❖ Key attributes of target businesses include:
 - ❖ Scalable
 - ❖ High added value services in B2B or consumer markets
 - ❖ High barriers to entry
 - ❖ Well established market presence
 - ❖ Pricing power within their markets focussed on business or consumer services
 - ❖ Quoted or unquoted private companies including Private Equity backed businesses
 - ❖ Competent operating management
 - ❖ Cash generative
 - ❖ Asset backed
- ❖ Excludes:
 - ❖ Sales less than £10m or greater than £100m
 - ❖ Start-ups / early stage
 - ❖ Loss making

 FIH group plc

