EDISON

# Park Group

Full-year results

## Continued growth in earnings and cash

Financial services

**Park Group continued to grow billings, profits, cash and the well-covered dividend in FY18. Billings growth was modest, with the previously flagged delayed start to a significant contract within the corporate business, but profit growth was supported by higher margins, primarily reflecting business mix changes. The management transition is complete with both a new CEO and CFO in place and we expect to hear more about the strategic objectives over the next few months.**

| Year end | Billings* (£m) | PBT** (£m) | EPS** (p) | DPS (p) | P/E (x) | Yield (%) |
|---|---|---|---|---|---|---|
| 03/17 | 404.5 | 12.4 | 5.3 | 2.90 | 14.2 | 3.8 |
| 03/18 | 412.8 | 12.9 | 5.6 | 3.05 | 13.5 | 4.0 |
| 03/19e | 435.7 | 13.6 | 5.9 | 3.20 | 12.9 | 4.2 |
| 03/20e | 461.4 | 14.5 | 6.2 | 3.36 | 12.1 | 4.4 |

Note: *Billings is a non-statutory measure of sales defined as the face value of voucher sales and the amount of value loaded onto prepaid cards, less any discount given to customers. **PBT and EPS (fully diluted) are on a statutory basis.

## Small forecast increase, awaiting IFRS 15

FY18 billings grew by 2% but with a greater share of pre-paid cards and fewer third-party vouchers, gross profit increased by 5% and operating profit by 7%. At the seasonal peak in November, cash balances were 6% higher and shareholder cash closed the year at £34.2m (+9%). Finance income was nevertheless lower as bank deposit rates remain at subdued levels, trimming PBT growth to 4%. Our FY19 forecast changes are modest (EPS +2%) and are yet to reflect the shift to IFRS 15 that will take effect this year. We expect management to provide guidance in the coming months, but as the accounting treatment of cards and vouchers converges there will be a noticeable impact on reported revenues, a relatively small impact on reported profit, but no impact on cash flow.

## New management team takes up the baton

Park's business has been transformed over a number of years as it has harnessed the opportunity for product and distribution innovation provided by fast-developing digital technologies, allowing it to reach new customers, in new markets, with a constantly developing product offering. The past year has seen significant transition in the senior management team, with both a new CEO and CFO. We expect the new team to continue to build on the range of existing product and distribution growth initiatives Park has put in place and introduce some new ideas and changes in emphasis. We expect to hear more about the strategic priorities over the next three months, once the handover to the new management team fully completes.

## Valuation: Slight increase in fair value

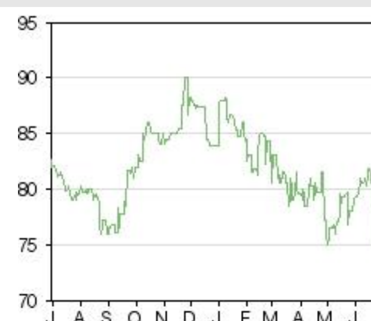
Our fair value increases from 84p to 87p per share. It is based on our absolute (DCF) valuation of 90p per share and a P/E relative comparison, with businesses that share similar characteristics, of 83p per share or c 14x FY19e calendar earnings.

**27 June 2018**

| | |
|---|---|
| **Price** | **75.5p** |
| **Market cap** | **£140m** |

| | |
|---|---|
| Net cash (£m) at 31 March 2018 (excludes £87.0m of cash held in trust in respect of customer liabilities) | 34.2 |
| Shares in issue | 185.6m |
| Free float | 98.2% |
| Code | PKG |
| Primary exchange | AIM |
| Secondary exchange | N/A |

### Share price performance




| % | 1m | 3m | 12m |
|---|---|---|---|
| Abs | (3.2) | (5.3) | (8.8) |
| Rel (local) | (0.9) | (13.2) | (10.6) |
| 52-week high/low | | 90.0p | 75.0p |

### Business description

Park Group is a specialised financial services business and is one of the UK's leading multi-retailer voucher and prepaid gift card businesses, focused on the corporate gift and Christmas savings markets. Sales are generated through the internet, a direct sales force and agents.

### Next events

| | |
|---|---|
| AGM | 25 September 2018 |

### Analysts


Martyn King +44 (0)20 3077 5745

Andrew Mitchell +44 (0)20 3681 2500

financials@edisongroup.com

Edison profile page


***Park Group is a research client of Edison Investment Research Limited***

## Summary of FY18 results

Park Group continued to grow billings, profits and cash during the year that ended 31 March 2018. Although billings growth was modest, with the previously flagged delayed start to a significant contract within the corporate business, profit growth was supported by higher margins, primarily reflecting business mix changes, including the on-going trend towards pre-paid cards. As we discuss later in this report, Park continues to enhance its product capabilities and recently introduced initiatives continue to gain traction. We list the highlights below:

**Exhibit 1: Summary of FY18 results**

| £m unless otherwise stated | 2018 | 2017 | % change |
|---|---|---|---|
| Consumer | 224.5 | 216.8 | 4% |
| Corporate | 188.2 | 187.7 | 0% |
| **Total billings** | **412.8** | **404.5** | **2%** |
| **Total revenues** | **296.2** | **310.9** | **-5%** |
| Cost of sales | (264.5) | (280.8) | -6% |
| **Gross profit** | **31.7** | **30.2** | **5%** |
| Distribution costs | (3.0) | (2.9) | 2% |
| Administrative costs | (17.1) | (16.3) | 5% |
| **Operating profit** | **11.6** | **10.9** | **7%** |
| Net finance income | 1.3 | 1.5 | |
| **PBT** | **12.9** | **12.4** | **4%** |
| Tax | (2.5) | (2.5) | |
| **Net profit** | **10.4** | **9.9** | **5%** |
| **Fully diluted EPS (p)** | **5.60** | **5.29** | **6%** |
| **DPS (p)** | **3.05** | **2.90** | **5%** |
| Peak cash position (inc. cash held in trust/segregated) | 229 | 217 | 6% |
| Closing cash (inc. cash held in trust/segregated) | 121.2 | 114.4 | 6% |
| Closing shareholder cash (net of overdraft) | 34.2 | 31.4 | 9% |

Source: Park Group

- Billings grew by 2%, with 4% growth in the consumer business, but flat in the corporate business as guided by management recently when flagging the delayed contract. Reflecting the accounting treatment of pre-paid cards compared with vouchers (see below), revenues were 5% lower. Both the accounting treatment for cards and vouchers, and the impact of IFRS 15 adoption for the current year are discussed below.
- A shift in the mix of billings, including continuing growth in pre-paid card products (including MasterCard products) and fewer third-party vouchers (Exhibit 2), was margin positive with gross profit increasing by 5%. Measured against billings, the gross margin increased from 7.5% to 7.7%, and measured against revenues from 9.7% to 10.7%, the larger increase being due to the increasing share of pre-paid cards that are reported on a net (100% gross margin) basis.
- In aggregate, distribution and administrative costs lagged the growth in gross profit and operating profit increased by 7%. We believe that administrative cost growth of 5% was probably affected by between 1-2 percentage points by costs associated with the senior management changes that have taken place.
- Despite continued growth in cash balances, net finance income was lower during the year, reflecting a full period impact of the decline in bank deposit rates that are yet to show any meaningful increase despite the 0.25% increase in UK base rate in November 2017.
- Net profit grew 5% and diluted EPS by a slightly higher 6%, to 5.60p. Dividends grew by 5% to 3.05p and were 1.75x covered by earnings.
- As previously disclosed, cash balances seasonally peaked in November 2017 at a record £229m, and the year-end cash position, including money held in trust/segregated balances in respect of customer liabilities, increased at a similar 6% rate to £121.2m. The timing impacts

that held back the H118 shareholder cash balance (ie excluding customer cash) unwound in H218 as management guided, increasing by 9% or £2.8m to £34.2m.

# Operational highlights

## Billings mix positive for margin

As noted above, although billings growth was held back in the corporate business by the delayed start to a significant contract, the mix of billings had a positive impact on margin. The shift towards cards within billings, including Park-issued MasterCard products, is a continuing trend that has provided structural support to margins. Less easy to predict over shorter periods is the growth in hampers and gifts (a small part of the total but higher margin) and the decline in lower margin third-party vouchers.

**Exhibit 2: Billings mix positive for margin**

| | Billings (£m) | | | Mix (%) | |
|---|---|---|---|---|---|
| | 2018 | 2017 | % change | 2018 | 2017 |
| Consumer Love2shop voucher | 124.4 | 125.4 | -0.8% | 30 | 31 |
| Corporate Love2shop voucher | 87.8 | 92.3 | -4.9% | 21 | 23 |
| **Total Park voucher** | **212.2** | **217.7** | **-2.5%** | **51** | **54** |
| Consumer card | 40.8 | 43.8 | -6.8% | 10 | 11 |
| Corporate card | 68.6 | 61.9 | 10.8% | 17 | 15 |
| **Total Park card** | **109.4** | **105.7** | **3.5%** | **27** | **26** |
| MasterCard | 20.7 | 10.1 | 105.0% | 5 | 2 |
| **Total card** | **130.1** | **115.8** | **12.3%** | **32** | **29** |
| Third-party voucher | 55 | 59.6 | -7.7% | 13 | 15 |
| Hampers/gifts/other | 15.5 | 11.4 | 36.0% | 4 | 3 |
| **Total other** | **70.5** | **71.0** | **-0.7%** | **17** | **18** |
| **Total** | **412.8** | **404.5** | **2.1%** | **100** | **100** |

Source: Park Group

## Segmental results

Looking at performance by operating segments, both the consumer and corporate businesses increased operating profits, while in the other segment (group costs, eliminations) the loss reduced.

**Exhibit 3: Segmental results**

| | FY18 | | | | FY17 | | | | FY18 vs FY17 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| £m | Consumer | Corporate | Other | Group | Consumer | Corporate | Other | Group | Consumer | Corporate | Other | Group |
| Billings | 224.5 | 188.2 | | 412.8 | 216.8 | 187.7 | | 404.5 | 4% | 0% | | 2% |
| Revenue | 168.3 | 127.9 | | 296.2 | 174.2 | 136.7 | | 310.9 | (3%) | (6%) | | (5%) |
| Operating profit | 6.9 | 7.4 | (2.6) | 11.6 | 6.5 | 7.2 | (2.8) | 10.9 | 6% | 2% | (6%) | 7% |
| Operating margin (as % billings) | 3.1% | 3.9% | | 2.8% | 3.0% | 3.9% | | 2.7% | | | | |

Source: Park Group

In the consumer division, billings growth reflected an increase in customer numbers to 436k from 431k and a 2.6% increase in average customer order value to £521. Billings of Park-issued MasterCard products, rebranded as the Your Choice card (previously Anywhere) doubled to £20.7m. Customer interaction via the internet and mobile devices continued to increase and downloads of the Park savings app continue to grow, reaching more than 170,000. In what has been a difficult consumer environment in recent months, Park says that year-to-date orders are running at a similar level to last year. It has plans to focus on seeking to reduce order attrition (orders placed but not funded and fulfilled) during the year, and we have assumed modest billing growth in FY19 as a result.

The corporate business saw operating profit increase despite flat billings. Park is seeing increased traction in the value loaded onto flexecash products, and continuing customer uptake of the Evolve

platform and Love2shop Worldwide. The number of corporate clients using the Evolve platform in the UK had reached 269 by end FY18, compared with 165 a year earlier and 249 at the time of the interim report in November 2017. Love2shop Worldwide, launched in May 2017, now has 48 international organisations using the platform, up from 31 in November.

## Management changes and outlook

After many years of stability, a period of significant transformation and development for the group, during the past year the senior management team at Park has been through a process of transition. Ian O'Doherty became CEO and joined the board on 1 February 2018, replacing Chris Houghton, who retired from the group after more than 30 years of service, and who had held the position of CEO since 2012. He has a strong background in financial services, specifically in banking, payments and card services, which appears well suited to leading the continued development of the business. He spent 28 years at MBNA, most recently as chairman and CEO of MBNA in the UK, between 2008 and 2017. During this time he oversaw the re-engineering of MBNA's digital capabilities and reorganised the business, leading it through the financial crisis and subsequent sale (for £1.9bn) to Lloyds Banking Group in 2017.

In August, Tim Clancy will join the company and the board as CFO, replacing Martin Stewart who announced last December his intention to leave the group after 13 years in his position. Martin Stewart will remain with Park until an orderly handover can be completed. Tim Clancy joins Park from Assurant Europe, the European subsidiary of Assurant, the US-listed global insurance provider, where he has held the role of chief financial officer since 2013. That role has included overseeing a number of acquisitions in the UK and Europe and their integration into the group. He has previously been finance director of the Airtours division of MyTravel, and managing director of high street retailer, Going Places.

Gary Woods, managing director of Park Retail, who joined the group in 1980 through the acquisition of Chrisco Hampers, also stepped down from the board in March 2018. As he approaches retirement he is assisting with the orderly handover of his operational duties to Julian Coghlan who joined Park in August 2017, having previously been executive director of Adare SEC, a provider of secure communication technology.

We would expect the new management team to continue to build on the range of existing product and distribution growth initiatives that Park has put in place, but given the scale of the changes we also think it is reasonable to anticipate it will bring some new ideas and changes in emphasis. The handover to the new management team should be complete by September and we anticipate the company will provide a briefing to investors at around that time regarding its strategic objectives. We would also expect some additional guidance on the effects of IFRS 15 implementation in the coming months, as discussed in the following section.

### IFRS 15 and card versus voucher accounting

IFRS 15 became effective from 1 January 2018 and will be the basis of which Park will report for the current FY19 financial year. Under IFRS 15 the accounting treatment for prepaid cards and vouchers, currently very different, converges and will have a noticeable impact on reported revenues, a relatively small impact on reported profit, but no impact on cash flow.

Currently, voucher revenue is recorded when the vouchers have been despatched to the customer, generating revenues that equal the amount paid by the customer for the voucher (typically the face value) and a gross profit margin that represents the service fees receivable from the retailers/redemption partners at the same time; a provision is made for the redemption liability arising. For cards, the revenue recognised is generally much lower, representing only the fees

charged to cardholders and service fees receivable from retailers/redemption partners. There is also a timing difference, with card revenues and profits recognised later than similar voucher-based customer transactions. Where the cardholder has the right of redemption, revenue is recognised when amounts are deducted from values held on cards, ie when cards are redeemed at retailers/redemption partners or when charges are levied.

In short, card 'sales' to customers generate much lower reported revenues than vouchers, but are recorded as 100% gross profit margin, while profit recognition may be delayed. To provide greater clarity, the group reports the (non-statutory accounting) measure of billings. It represents the face value of voucher sales and the amount of value loaded onto prepaid cards, net of any discounts given to customers, and as such provides a consistent measure of customer sales activity in any period. The effect can be seen in the 2.0% growth in FY18 billings compared with a decline of 4.9% in accounting revenues.

**Exhibit 4: Accounting treatment of vouchers versus prepaid cards (illustration)**

| £ | Voucher | Prepaid card |
|---|---|---|
| Billings | 100 | 100 |
| Revenue | 100 | 8 |
| Cost of sales | (92) | 0 |
| Gross profit | 8 | 8 |
| Gross margin on revenue (%) | 8 | 100 |

Source: Park Group, Edison Investment Research

Exhibit 4 shows how £100 of billings generates very different accounting revenues depending on whether it is a voucher or prepaid card, although assuming all card balances are spent in the same accounting period as the voucher sale, the gross profit contribution is the same. However, in reality, it is unlikely that all card balances will be spent in the same accounting period, deferring gross profit (and a similar amount of revenue). As card balances grow, so too does the deferral. Accumulated, unspent customer card balances are held on balance sheet within the segregated e-Money Trust, a regulatory requirement. The balance as at end-FY18 was £25.9m, representing around £2.5m of deferred gross profit (and revenue) that will be reported in future accounting periods.

IFRS 15 moves the accounting treatment for Park's own prepaid vouchers (c 50% of billings) to the same basis as cards, although the treatment of third-party vouchers, hampers and gifts will remain the same. The impacts are mitigated by the fact that a high proportion of the vouchers sold/billed in any year, particularly when Christmas related, are in fact redeemed in that same year, triggering an IFRS 15 revenue recognition. We have not yet incorporated these changes into our forecasts. In broad terms, the impacts on the reported numbers are likely to be:

- Revenues recorded for own vouchers will show a material decline.
- Ultimate gross profit and cash flow will be unaffected but the reported group gross margin will increase materially towards the 100% that will be reported on cards and own vouchers (but not hampers and other goods or third-party vouchers).
- Revenue and profit recognition deferral will slightly reduce the reported numbers in period one and the deferral of previously recognised profits will reduce equity.

# Financials

The published results for the year to 31 March 2018 (FY18) turned out slightly higher than our revised forecasts, published after the trading update released on 26 April 2018. The 2% beat on EPS was substantially due to a lower fully diluted share count than we had allowed for. Our revised forecasts for FY19 are little changed, with EPS similarly benefitting from a slightly lower diluted share count than previously assumed. We also introduce a FY20 forecast for the first time.

**Exhibit 5: Performance versus forecast & forecast revisions**

| | Billings (£m) | | | Revenues (£m) | | | IFRS PBT (£m) | | | Reported EPS (p) | | | DPS (p) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Actual | F'cast | % diff | Actual | F'cast | % diff | Actual | F'cast | % diff | Actual | F'cast | % diff | Actual | F'cast | % diff |
| 03/18 | 412.8 | 412.7 | 0.0% | 296.2 | 298.5 | -0.8% | 12.9 | 12.8 | 0.2% | 5.60 | 5.47 | 2% | 3.05 | 3.05 | 0% |
| | Billings (£m) | | | Revenues (£m) | | | IFRS PBT (£m) | | | Reported EPS (p) | | | DPS (p) | | |
| | New | Old | % chg | New | Old | % chg | New | Old | % chg | New | Old | % chg | New | Old | % chg |
| 03/19e | 435.7 | 438.6 | -1% | 297.2 | 301.3 | -1% | 13.6 | 13.6 | 1% | 5.86 | 5.77 | 2% | 3.20 | 3.20 | 0% |
| 03/20e | 461.4 | N/A | N/A | 298.4 | N/A | N/A | 14.5 | N/A | N/A | 6.24 | N/A | N/A | 3.36 | N/A | N/A |

Source: Company data, Edison Investment Research

Our FY19 billings forecast is based on just over 1% growth in consumer and a little over 10% in corporate. In consumer, we assume that the current order book position, at a similar level to last year, translates into modest billings growth for the year as a result of management efforts to reduce intra-year order attrition. In corporate we look for the commencement of the delayed large order to support what we would consider to be 5-10% underlying growth. For FY20, we forecast c 6% consumer billings growth (3% from average order growth and 3% from customer growth) and a similar rate of growth in corporate.

Our forecast gross margin (as a percentage of billings) is stable in FY19 (at 7.7%) and increases to 7.8% in FY20 as a result of the continuing positive mix shift. Operating margin is forecast to be stable at 2.9% in both years. We expect net finance income to resume growth in FY19 following the growth in average cash balances that should result from our forecast increase in order books, with only a very modest c 0.1% improvement is average deposit margin in the current year.

# Valuation

Following the pre-results trading update, we reduced our fair value estimation by a little under 5% to 84p, in line with earnings forecast change that we made at the time. We are now increasing our fair value to 87p.

Our approach to valuation is to consider both a potential absolute value based on a modified DCF analysis as well as a relative value based on a comparison with a selected group of listed stocks. Our fair value of 87p represents the average of the two.

Our modified DCF valuation increases to 90p with no change in the fundamental assumptions other than to push back our expectation for higher interest rates. It is modified in the sense that we include the interest earned by Park on segregated customer cash balances (but not on the group cash balance), as this is an integral part of the returns generated by Park. The customer cash itself is excluded from the overall valuation and the voucher provisions balance as this will eventually flow out in settlement of vouchers that have been issued and accounted for in earnings but not yet redeemed. Our forecast period runs to 31 March 2020; beyond this we grow free cash flow at 5% per year until year 10, enhanced by an assumed normalisation of interest rates. For interest rates we assume an increase to 1.5% for FY21 and to 3% for FY22 and beyond. The terminal cash flow is valued at 10x, and we use a discount rate of 10%. The terminal value represents 46% of the total 90p value. A 1% increase in the assumed discount rate, a reduction in the terminal multiple to 9.0x, or a 1% reduction in the long-term growth rate reduces the value by c 6%, 5% or 4% respectively.

We note that the current share price could be said to be assuming a long-term growth in free cash flow of just more than 3% a year.

Competitor employee benefits and service providers to Park are either private companies or relatively small parts of larger groups, complicating any attempt at a relative valuation approach. Sodexo and Edenred are both much larger and more international than Park, and the overlap with Sodexo is limited; Sodexo Benefits and Rewards Services is a minor part of Sodexo Group. Because within Park's traditional Christmas prepayments business (c 50% of Park) there has historically had some socioeconomic overlap of customer bases, and a similar use of agency distribution, with that of the home collected credit operators, we also show valuation data for the non-standard finance providers, for which this continues to be the case to varying degrees. We would expect a premium rating for Park as it does not have similar credit risk and we believe it has less regulatory risk.

Both groups, the incentive group and the non-standard finance group, have de-rated a little over the past few months and while we continue to feel that a fair value for Park is at a premium to the non-standard finance companies and a discount to the larger incentive-related peers, our judgement is that a multiple of c 14x FY19 earnings is appropriate, whereas we previously used 15x. A 14x multiple is similar to the rating on the FTSE All Share Index as a whole, and implies a fair value of 83p per share.

**Exhibit 6: Peer valuation comparison**

| | Share price (local currency) | Market cap (bn) | P/E (x) | | Prospective dividend yield (%) | Share price performance | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Current year | Next year | | 1 month | 3 months | 12 months | From 12 month high |
| **Incentive** | | | | | | | | | |
| Park Group | 75.5 | 0.1 | 12.9 | 12.1 | 4.2% | -3% | -7% | -9% | -14% |
| Edenred | 26.4 | 5.6 | 23.7 | 21.3 | 3.2% | -6% | -6% | 12% | 9% |
| Sodexo | 84.2 | 11.2 | 17.0 | 15.9 | 3.3% | -2% | -14% | -28% | -25% |
| **Incentive median** | | **5.6** | **17.0** | **15.9** | **3.3%** | **-3%** | **-7%** | **-9%** | **-14%** |
| **Non-standard finance** | | | | | | | | | |
| Provident Financial | 582.0 | 1.5 | 11.1 | 8.5 | N/A | -12% | -13% | -67% | -11% |
| Morses Club | 158.3 | 0.2 | 12.0 | 10.3 | 2.8% | 5% | 21% | 30% | 24% |
| Non-Standard Finance | 62.4 | 0.2 | 16.0 | 9.3 | 3.5% | -4% | 1% | -16% | -13% |
| **Non-standard finance median** | | **0.2** | **12.0** | **9.3** | **3.2%** | **-4%** | **1%** | **-16%** | **-11%** |
| FTSE All-Share Index | 4149 | | 13.8 | 12.9 | 4.0% | -2% | 7% | 2% | -2% |

Source: Edison Investment Research, Bloomberg. Note: Consensus estimates for all except Park. Prices at 26 June 2018.

## Exhibit 7: Financial summary

| Year end 31 March | 2017 | 2018 | 2019e | 2020e |
|---|---|---|---|---|
| **PROFIT & LOSS** | **IFRS** | **IFRS** | **IFRS** | **IFRS** |
| Billings | 404,512 | 412,786 | 435,681 | 461,368 |
| Revenue | 310,927 | 296,188 | 297,175 | 298,361 |
| Cost of sales | (280,758) | (264,490) | (263,699) | (262,406) |
| Gross margin | 30,169 | 31,698 | 33,476 | 35,955 |
| Distribution costs | (2,940) | (3,002) | (2,823) | (2,834) |
| Administrative expenses | (14,274) | (15,432) | (16,821) | (18,503) |
| EBITDA | 12,955 | 13,264 | 13,832 | 14,618 |
| Depreciation & amortisation | (1,358) | (1,381) | (1,172) | (1,150) |
| Amortisation of acquired intangible, goodwill impairment, & impairment of investment property | (47) | (64) | (47) | (46) |
| Share-based payments | (669) | (230) | (350) | (349) |
| Exceptional operating income | 0 | 0 | 0 | 0 |
| Operating profit | 10,881 | 11,589 | 12,263 | 13,073 |
| Operating Profit (before amort. and except.) | 11,597 | 11,883 | 12,660 | 13,468 |
| Net Interest | 1,470 | 1,270 | 1,387 | 1,469 |
| Profit Before Tax (norm) | 13,067 | 13,153 | 14,047 | 14,937 |
| Profit before tax (IFRS) | 12,351 | 12,859 | 13,650 | 14,542 |
| Tax | (2,452) | (2,450) | (2,730) | (2,908) |
| Profit after tax (norm) | 10,473 | 10,647 | 11,237 | 11,949 |
| Profit after tax (IFRS) | 9,899 | 10,409 | 10,920 | 11,633 |
| Discontinued operations | 0 | 0 | 0 | 0 |
| Profit after tax (IFRS) | 9,899 | 10,409 | 10,920 | 11,633 |
| Average Number of Shares Outstanding (fully diluted, m) | 187.2 | 185.9 | 186.2 | 186.4 |
| Basic EPS - IFRS (p) | 5.4 | 5.6 | 5.9 | 6.3 |
| Fully diluted EPS - IFRS (p) | 5.3 | 5.6 | 5.9 | 6.2 |
| EPS - normalised fully diluted (p) | 5.6 | 5.7 | 6.0 | 6.4 |
| Dividend per share (p) | 2.90 | 3.05 | 3.20 | 3.36 |
| Gross margin on billings (%) | 7.5 | 7.7 | 7.7 | 7.8 |
| EBITDA margin as % of billings | 3.2 | 3.2 | 3.2 | 3.2 |
| Operating margin (before GW and except) as % billings | 2.9 | 2.9 | 2.9 | 2.9 |
| **BALANCE SHEET** | | | | |
| Fixed assets | 14,399 | 14,868 | 14,689 | 14,537 |
| Intangible assets | 4,884 | 4,463 | 4,343 | 4,243 |
| Tangible assets | 7,688 | 7,684 | 7,625 | 7,574 |
| Retirement benefit obligation | 1,827 | 2,721 | 2,721 | 2,721 |
| Other | 0 | 0 | 0 | 0 |
| Current assets | 129,182 | 142,183 | 145,827 | 159,068 |
| Debtors | 11,928 | 14,880 | 13,038 | 13,795 |
| Cash held in trust | 83,018 | 86,992 | 92,906 | 101,621 |
| Cash available to group | 34,236 | 40,311 | 39,884 | 43,653 |
| Current liabilities | (130,038) | (138,532) | (136,778) | (143,629) |
| Creditors | (83,874) | (90,520) | (86,656) | (91,555) |
| Provisions | (46,164) | (48,012) | (50,122) | (52,075) |
| Short-term borrowings | 0 | 0 | 0 | 0 |
| Long-term liabilities | (1,118) | (662) | (263) | (263) |
| Long-term borrowings | 0 | 0 | 0 | 0 |
| Deferred tax | (194) | (662) | (662) | (662) |
| Retirement benefit obligation | (924) | 0 | 399 | 399 |
| Net assets | 12,425 | 17,857 | 23,476 | 29,713 |
| Minorities | 0 | 0 | 0 | 0 |
| Shareholders' equity | 12,425 | 17,857 | 23,476 | 29,713 |
| **CASH FLOW** | | | | |
| Operating Cash Flow | 9,903 | 10,540 | 10,800 | 11,997 |
| Net interest | 1,539 | 1,267 | 1,387 | 1,469 |
| Tax | (2,258) | (2,537) | (2,730) | (2,908) |
| Capex | (717) | (1,020) | (1,040) | (1,044) |
| Acquisitions/disposals | (875) | 1 | 0 | 0 |
| Financing | 5 | 0 | 0 | 0 |
| Dividends | (5,052) | (5,370) | (5,650) | (5,745) |
| Other | 0 | 0 | 0 | 0 |
| Net cash flow | 2,545 | 2,881 | 2,767 | 3,768 |
| Opening net (debt)/cash | 28,817 | 31,362 | 34,243 | 37,010 |
| Closing net (debt)/cash | 31,362 | 34,243 | 37,010 | 40,778 |

Source: Park Group, Edison Investment Research

Edison is an investment research and advisory company, with offices in North America, Europe, the Middle East and AsiaPac. The heart of Edison is our world-renowned equity research platform and deep multi-sector expertise. At Edison Investment Research, our research is widely read by international investors, advisers and stakeholders. Edison Advisors leverages our core research platform to provide differentiated services including investor relations and strategic consulting. Edison is authorised and regulated by the Financial Conduct Authority. Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Pty Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER
Copyright 2018 Edison Investment Research Limited. All rights reserved. This report has been commissioned by Park Group and prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Investment Research Pty Ltd (Corporate Authorised Representative (1252501) of Myonlineadvisers Pty Ltd (AFSL: 427484)) and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") © FTSE 2018. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
295 Madison Avenue, 18th Floor
10017, New York
US

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia