

Findel

Trading update

Strategy delivering impressive results

Findel's (FDL's) digital-first and value-led strategy has helped it to deliver a robust FY19 trading performance and 17.7% increase in underlying PBT to £28.8m, slightly ahead of our recently upgraded forecast. Its core customer-facing business, Studio, continues to thrive in a mixed retail landscape and management is rightly focused on a range of initiatives to raise the brand profile (including changing the company name from Findel to Studio Retail Group), further improve profitability and tailor the responsible consumer credit offer to its customer's needs. Group core net debt reduced further to £57.4m, after strong working capital generation, and the customer redress programme is now materially completed.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
03/18**	479.6	26.8	25.9	0.0	7.5	N/A
03/19	506.8	28.8	26.5	0.0	7.3	N/A

Note: *PBT and EPS are normalised, ex. amortisation of acquired intangibles, exceptionals and share-based payments. **Restated for IFRS 15 (IFRS 9 not applied retrospectively).

Studio's FY19 product revenue increased by 7.8%, driven by continued growth in the active customer base (+0.1 million to 1.9 million) and a particularly strong sales performance in the run-up to Christmas. Online customer ordering now exceeds 75% (FY18: 68%), with 92% of new customers placing orders online. The digital and value ethos is also benefiting the Education division, with online sales representing two-thirds of orders and the active customer base up by 8%.

Overall, Studio's strong sales performance and a 170bp improvement in the retail gross margin drove 5.7% growth in group revenue to £506.8m and a 17.7% increase in underlying PBT to £28.8m (vs our recently upgraded estimate of £28.5m), on a like-for-like basis after taking into account the adoption of IFRS 9 and IFRS 15 in FY19. Strong working capital generation led to a £16.4m reduction in core net debt to £57.4m. A proposal will be put forward at the upcoming AGM to change the company name from Findel to Studio Retail Group, further strengthening the identity of the brand.

We will review our forecasts and publish a more detailed note following the company's capital markets day on Tuesday 11 June.

Retail

5 June 2019

Price 193p
Market cap £166m

Core net debt (£m) at 31 March 2019	57.4
Shares in issue	86.4
Free float	61%
Code	FDL
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



Business description

Findel is a multi-channel retailer operating across the business-to-consumer and business-to-business market places. It is a market leader in the home shopping and educational supplies sectors in the UK.

Analysts

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