

Electra Private Equity PLC

Interim Results: 31st March 2019

16th May 2019



Half year results reflect good progress in implementation of strategy approved by over 99% of shareholders in October 2018

“Having doubled shareholder value between 2015 and 2017, 2018 was a year in which we reflected on the future, made the decision to adopt the realisation strategy approved by shareholders in October 2018, and embarked on the optimization of our remaining assets.

We have adjusted our cost base to better reflect the size of the remaining business and are working with our portfolio companies to grow value. Our portfolio has further significant value creation opportunities and we are confident that we will continue to provide shareholders with attractive returns in the period up until our wind-down, which will follow realization of our existing investments in the medium term.”

Neil Johnson
Chairman

Composition of NAV at 31st March 2019 and progression from 30th September 2018

Composition of NAV (£ millions)	30 September 2018		31 March 2019	
	NAV	NAV per share (pence)	NAV	NAV per share (pence)
TGI Fridays	124.6	326p	131.9	345p
Hotter Shoes	6.8	18p	27.9	73p
SPC	7.3	19p	7.3	19p
Other	3.5	9p	3.0	8p
Subtotal Buyouts	142.3	372p	170.1	444p
Photobox	96.1	251p	-	-
Knight Square	20.7	54p	-	-
Sentinel	4.1	11p	2.3	6p
Other	3.4	8p	2.9	6p
Subtotal Other Investments	124.2	324p	5.2	12p
Investment Portfolio	266.5	696p	175.2	458p
Cash & Cash Equivalents	75.8	198p	42.0	110p
Other Net Assets/ (Liabilities)	(0.6)	(2p)	(22.2)	(58p)
Net Asset Value	341.7	892p	195.0	509p

	Pence
NAV per share 30 September 2018	892
Dividends	(419)
Investment return	47
Operating costs	(6)
Exceptional costs	(5)
NAV per share 31 March 2019	509

April dividend of £20.8m (54pps) reflected in both cash and liabilities at 31st March 19

TGI Fridays

- Operating data:

	Year to end December		
	2018	2017	2016
(£ millions)			
Sales	208.8	216.0	211.0
Operating Profit	14.2	22.3	21.0
EBITDA	25.3	33.3	31.0

- Trading conditions remain challenging with over-supply being addressed slowly. TGI has maintained margins and has implemented plans to recover volume lost through targeted promotional activity and customer facing improvements.
- Summer trading will be key to speed of recovery with LFL sales down 13% in May-August 2018.
- The business continues to focus on providing a great dining experience with growth through attracting and retaining new customers and sustainable store expansion, achieving returns on investment of around 35% on recent openings.

(1) EBITDA as reported after non-recurring items

Hotter Shoes

- Operating data:

	Year to end January		
	2019	2018	2017
(£ millions)			
Sales	93.0	100.8	98.0
Operating Profit	0.6	5.0	4.3
EBITDA	3.5	9.5	9.0

- After 3 years of consistently earning £9.0m-£9.5m EBITDA Hotter had a very challenging year in 2018 and actions are now being taken to recover profitability and provide a solid and more resilient base for the future.
- Early indications are positive with the close of Autumn/Winter '18 and the transition to Spring/Summer being significantly improved on prior year – giving £1.5m YOY EBITDA improvement
- The UK direct and wholesale channels have proved resilient however UK retail and US direct have been severely impacted by adverse trading conditions.
- Demand for product continues to be high and with an active UK direct database of 0.8 million customers with a further 0.5m customers pa through retail the opportunity for profit growth is good.
- US business has an active database of 160k customers with a proven concept for growth.
- £7.5m invested in early 2019 to fund continuation of strategic projects and accelerate digitisation
- Ian Watson joined as CEO on 4th March 2019 and has had an immediate positive impact

(1) Based on last 12 month's unaudited management accounts

Special Product Company

- Operating data:

	Year to end March		
	2019	2018	2017
(\$ millions)			
Sales	31.1	21.2	20.4
Operating Profit	3.5	1.3	1.6
EBITDA	3.6	1.3	1.7

- The weakness in this business has historically been its concentration of too few products across too few customers – leaving it subject to significant performance fluctuations in line with its customers' cap-ex projects lifecycle.
- Significant progress has now been made in development of more 'next generation' product as well as collaborative R&D working with its larger customers to meet their wider needs.
- Expansion of US customer base also achieved with the potential for export opportunities for the 1st time.

(1) Excludes product warranty charge of \$3.5m arising from 3rd party supplied product defect in 2016/17 – identified in 2017

Overview

- NAV as at 31 March of £195.0m (509 pence per share)
- Represents 7% growth on remaining net assets in period
- Main controlled assets have LTM maintainable EBITDA at 31 March of 32m with Net Debt of £42m – including cash held centrally (post dividend)
- TGI Friday and Hotter shows are still impacted by challenging market conditions but both businesses are responding well to changes made to improve resilience and trading performance
- Corporate cost base reduced further by approximately 40% with further savings anticipated on resolution of property costs
- Realistic timeframe for exits from remaining assets: 18-36 months

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Appendices

16th May 2019



Investment Objective and Policy adopted 30th October 2018

- Electra's investment objective is to follow a realisation strategy which aims to crystallise value for shareholders, through balancing the timing of returning cash to shareholders with maximisation of value.
- The Company will not make any new investments but will continue to support its existing investments to the extent required in order to optimise returns.
- The Company will retain sufficient cash to meet its obligations and to support its portfolio assets, with cash from realisations being invested in AAA rated money market funds pending utilisation or return to shareholders.
- Should it be appropriate to utilise gearing in order to optimize the balance between timing of returning cash to shareholders and maximisation of value the Company will maintain gearing below 40% of its total assets.

Summary of events following the Year End

- **4th October 2018:** announcement of disposal of Photobox and Knight Square. EGM called to consider revised Investment Objective and Policy
- **19th October 2018:** disposal of Photobox completed with receipt of £98m
- **30th October 2018:** EGM. Revised Investment Objective and Policy adopted by over 99% of shareholders. £140m Special Dividend announced
- **14th December 2018:** disposal of Knight Square completes with receipt of £20.8m
- **Jan./Feb. 2019:** £7.5m invested in Hotter
- **27th February 2019:** AGM, £20.8m Special Dividend announced, payable 12th April '19 to shareholders on 15th March 2019
- **16th May 2019:** NAV as at 31st March 2019 of 509 pence per share announced – a 7.1% increase from 30th September 2018 (after adjusting for dividends)

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