RNS Number : 5078T
Portmeirion Group PLC
21 March 2019

21 March 2019

Portmeirion Group PLC ('Portmeirion' or 'the Group')

Preliminary results for the year ended 31 December 2018

Financial summary

	2018	2017	Increase
	£m	£m	%
Revenue	**89.6**	84.8	5.7
Pre-tax profit	**9.7**	8.8	10.1
EBITDA	**11.8**	11.0	7.5
Basic earnings per share	**72.12p**	65.07p	10.8
Dividends paid and proposed per share in respect of the year	**37.50p**	34.66p	8.2

Highlights:

Financial

- Tenth consecutive year of record Group revenue which increased by 5.7% to £89.6 million (2017: £84.8 million).
- Profit before tax increased by 10.1% to £9.7 million (2017: £8.8 million).
- EBITDA increased by 7.5% to £11.8 million (2017: £11.0 million).
- Earnings per share increased by 10.8% to 72.12p (2017: 65.07p).
- Total dividends paid and proposed for 2018 increased by 8.2% to 37.50p per share (2017: 34.66p).
- Net cash improved to £2.3 million (2017: £1.6 million).
- Operating margin increased to 11.1% (2017: 10.7%).

Operational

- Strong progress across key markets of UK, US and South Korea.
- Home fragrance division (acquired in 2016) delivers sales growth of 11.1%.
- Online sales growth of 24.4% over the prior year.
- Successful new product launches including Sara Miller London Portmeirion and line extensions in Portmeirion Botanic Garden and Royal Worcester Wrendale Designs.
- For 2019, three exciting new UK manufactured ranges launched - Portmeirion Botanic Garden Harmony, Portmeirion Atrium and Spode Kingsley.
- Appointed Angela Luger as a Non-executive Director on 1 March 2019.

Dick Steele, Non-executive Chairman commented:

"We are delighted to be reporting a tenth consecutive year of record revenue and another record profit before taxation. Our strategy and core values remain unchanged. We are focused on driving profitable sales growth through new product introduction, developing our markets, investing behind our brands and enhancing our operational capabilities and efficiency supported with complementary strategic acquisitions.

We look forward into 2019 with confidence and at this very early stage of the year expect trading to be in line with expectations for the full year."

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 (MAR).

ENQUIRIES:

Portmeirion Group PLC:

Dick Steele *Non-executive Chairman*	+44 (0) 1782 744 721	steele_clan@msn.com
Mike Raybould *Group Finance Director*	+44 (0) 1782 744 721	mraybould@portmeiriongroup.com

Hudson Sandler:

Dan de Belder	+44 (0) 207 796 4133	ddebelder@hudsonsandler.com
Nick Moore		nmoore@hudsonsandler.com
Oenone Potter		opotter@hudsonsandler.com

Panmure Gordon

(Nominated Adviser and Broker):	+44 (0) 207 886 2500
Freddy Crossley / Joanna Langley	Corporate Finance
James Stearns	Corporate Broking

Cantor Fitzgerald Europe

(Joint Broker):	+44 (0) 207 894 7000
Phil Davies / Rick Thompson	Corporate Finance
Caspar Shand Kydd	Sales

Portmeirion Group PLC
Chairman and Chief Executive Statements

We are very pleased to be able to report another record breaking year for the Group. Sales within our key markets of the UK, USA and South Korea have all increased. We have made significant progress towards our strategic targets, particularly in growing our e-commerce and home fragrance sales. The Board is recommending an increased dividend to shareholders.

The Group continues to invest in our major brands which are the key drivers of value for the business.

Financial Highlights

Revenue was £89.6 million for the year, an increase of 5.7% over the previous year (2017: £84.8 million). At a constant US dollar exchange rate our revenue increased by 7.2%. At our home fragrance division, acquired in 2016, sales increased by 11.1% to £15.5 million (2017: £13.9 million). Sales from our e-commerce sites increased by 24.4% to £4.3 million (2017: £3.4 million).

Since 2013, the Group has increased revenue by 54% from £58.3 million to £89.6 million.

Profit before taxation was £9.7 million, an increase of £0.9 million or 10.1% on the previous year. Earnings before interest, taxation, depreciation and amortisation (EBITDA) increased by 7.5% to £11.8 million in the year (2017: £11.0 million). Both of these figures represent all-time records for Portmeirion.

Basic earnings per share increased by 10.8% to 72.12p per share (2017: 65.07p), while dividends have increased by 8.2% to 37.50p (2017: 34.66p), with dividend cover of 1.93 times (2017: 1.85 times) maintained in line with our long term target of approximately two times.

Dividend

The Board is committed to a progressive dividend policy and aims to maintain a sustainable and appropriate level of dividend cover. We have increased our dividend for ten consecutive years. The Group will look to increase our dividend whenever appropriate driven by our results, cash balances, future prospects and other key performance indicators.

The Board is recommending a final dividend of 29.50p (2017: 27.26p) per share bringing the total paid and proposed for the year to 37.50p (2017: 34.66p) per share, an increase of 8.2% over the total amounts paid in respect of 2017.

Governance

The Directors recognise and welcome the importance and benefits of good corporate governance and have chosen to apply the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code').

Further details on how the Company complies with the principles of the QCA Code can be found on our website and in our annual report and accounts.

People and culture

We are committed to the continuing promotion of our established and unique vision and values which support the Group's culture of openness and integrity. We encourage attitudes and behaviours that will positively impact on our long-term success and sustainability through the achievement of our objectives and business strategy.

The Group recruits people who share our values, and this continues to be a key part of our recruitment strategy as it enables new and existing employees to work seamlessly towards realising our vision. Further details on our corporate culture and its integration within the Group can be found in the Corporate Responsibility section and the Corporate Governance Statement in our annual report and accounts.

The Board keeps the composition and performance of the Directors and most senior management of the Group under review to ensure we have the appropriate skills and experience in place to deliver our strategic aims.

At the beginning of March 2019, we were pleased to welcome Angela Luger to the Board as a Non-executive Director. Angela's background brings a mix of retail, digital and customer focused experience to the Board.

Our performance during the year

Revenue for the Group increased by 5.7% to £89.6 million (2017: £84.8 million). This represents strong progress across all areas of the business, with improved performance within our core markets of the UK, USA and South Korea, as well as market segment growth in UK and USA ceramic and home fragrance divisions.

Geographical performance

The UK became our largest geographical market following the Wax Lyrical acquisition in 2016 and now accounts, in total, for 35% of Group sales at £31.5 million, an increase of 9.2% on the prior year (2017: £28.8 million). This growth was driven by increased online and home fragrance sales. The UK market continues to remain robust despite the continuing uncertainty of the Brexit outcome. We remain cautiously optimistic in the UK given our diversified distribution routes in the marketplace via major retailers, independent stores, our own retail shops and our growing e-commerce sites.

The United States is our second largest market at 30% of Group sales. In translated figures, sales in the USA grew by 6.0% to £26.7 million (2017: £25.2 million), which was an increase of 9.9% in local currency due to the stronger pound in 2018 over the prior year.

Sales into South Korea increased by 24.6% to £8.2 million in the year (2017: £6.6 million) and accounted for 9% of Group sales. As a result of ongoing new product development work we were able to reverse the recent trend of declining sales. We monitor this market closely and work with our distributor to diversify our product portfolio and target new customers. We remain confident for the future in this key market.

Sales to the rest of the world decreased by 4.0% to £23.2 million in the year (2017: £24.2 million), largely driven by a planned reduction in sales to India. Performance in Europe and Asian markets is still encouraging. The Group has continued with its plan of reducing our reliance on sales in our three major markets as we continue to diversify and sell into over 70 countries around the world.

Our strategy of growing our own online sales continues to bear fruit, with sales growth of 24.4% to £4.3 million (2017: £3.4 million). We continue to invest in our online fulfilment capabilities so we are able to cope with the dramatic growth of our own e-commerce sites and retailer demand.

Segmental performance

The Group continues to operate under our three key segments: Portmeirion UK ceramic, Portmeirion USA ceramic and home fragrance.

Portmeirion UK - ceramic

Portmeirion UK, the main trading entity of the Group, had a strong performance during the year with external sales of £48.1 million, an increase of 4.3% over the prior year (2017: £46.1 million). This growth was driven by the success of new product launches, aided by our increase in e-commerce sales, particularly Sara Miller London Portmeirion and Royal Worcester Wrendale Designs.

Our UK factory expanded production during 2018, and we are capable of further growth in 2019 to support key product launches being manufactured in Stoke-on-Trent. We continue to experience inflationary production cost pressures in labour and energy, but have been able to mitigate these with efficiency savings and technological innovations.

Portmeirion USA - ceramic

The USA remains our largest export market and is serviced by our trading subsidiary Portmeirion USA. The company has an office in New Jersey, showrooms in New York and a national warehousing and logistics centre in Connecticut.

Sales at Portmeirion USA have grown by 5.2% in the year to £26.0 million (2017: £24.7 million). This growth has been driven by both new product development and increased sales of heritage patterns including Portmeirion Botanic Garden and Spode Christmas Tree.

The growth in the USA is satisfying and we anticipate further growth in 2019.

Home fragrance

The Group acquired the Wax Lyrical business in May 2016. This business continues to make good progress with total home fragrance sales increasing by 11.1% over prior year to £15.5 million (2017: £13.9 million). Over £2 million of the 2018 sales were made via Portmeirion UK and Portmeirion USA distribution channels, which is encouraging.

We manufacture home fragrance products in our factory in the Lake District. Our plan is to increase capacity and output in 2019 to grow the business in line with the Group's targets.

We continue to believe the home fragrance division has strong potential for growth in the UK and export markets.

Products and brands

Our brands and products are the key wealth creators for the Group. We have five major brands - Portmeirion, Spode, Wax Lyrical, Royal Worcester and Pimpernel. Supporting our brands is central to our business strategy and we continue to invest in both our heritage patterns and new ranges.

Portmeirion Botanic Garden, first launched in 1972, continues to be our largest selling pattern with ongoing sales of over £30 million annually. We estimate there are over 50 million pieces of Botanic Garden in use worldwide today. We continue to be vigilant of imitators to Botanic Garden and indeed our other patterns, and we are diligent in our legal protection of them.

New product development is a vital component of our brand value and includes both new ranges and line extensions within our existing patterns. Each year we continue to develop, extend and refine our product offering to retain and build customer appeal. In 2018, we continued to refresh our heritage patterns such as Portmeirion Botanic Garden and Spode Christmas Tree in order to expand their appeal, as well as launch exciting new collections such as Sara Miller London Portmeirion.

A list of our current patterns can be found at www.portmeirion.co.uk, www.spode.co.uk, www.wax-lyrical.com, www.royalworcester.co.uk and www.pimpernelinternational.co.uk. Customers in the United States should go to www.portmeirion.com.

Strategic priorities

The Group continues with its strategy of diversifying products, customers, geographical markets and routes to market within those countries. This strategy has enabled us to realise opportunities as they have arisen and reduce our reliance on any one market, customer or distribution channel.

Our long term strategy is focused on five key areas: profitable sales growth, new product introduction, developing our brands, enhancing our operational efficiency and capability and supporting this with complementary strategic acquisitions.

Profitable sales growth underpins all of the Group's strategic objectives, and we aim to achieve this by diversifying our markets and completing targeted product development within those markets. In 2018, we achieved our tenth consecutive year of record sales with 5.7% growth to £89.6 million (2017: £84.8 million). We also improved our operating profit margin to 11.1% (2017: 10.7%). Our focus going forward will be to expand our export market breadth and penetration and to promote organic growth within our home fragrance division.

We continue to invest and enhance our five global brands, which collectively have been in existence for nearly seven hundred years.

Our operational capabilities are constantly reviewed in order to position the Group to meet the requirements of our customers. The continued trend of retail moving to online and drop-ship fulfilment has required operational investment and will continue to do so. We continue to drive efficiencies through our manufacturing and distribution sites to combat inflationary cost pressures and remain competitive.

The Group remains committed to acquiring businesses where there is a strategic fit and the combination would be earnings enhancing. We have now successfully integrated the Wax Lyrical business and continue to drive towards our goal of strong growth for this segment of the Group's sales.

As referred to in our principal risks section of our annual report and accounts, we are aware of the current uncertainties that surround the Brexit date of 29 March. The Group relies on the importation of some raw materials and finished product and exports to over 70 countries. Significant disruption to the flow of goods across the UK border and changes in tariff rates would impact our business in the short term. Our contingency planning includes increasing stock of critical raw materials and product lines and currency hedging where necessary.

Outlook

Although we face political and economic uncertainties around the world, including Brexit, we look forward into 2019 with confidence and at this very early stage of the year expect trading to be in line with expectations for the full year.

Our strategy and core values remain unchanged. We are focused on driving profitable sales growth through new product introduction, developing our markets, investing behind our brands and enhancing our operational capabilities and efficiency supported with complementary strategic acquisitions. In particular we will invest behind further growth in our online sales and fulfilment capabilities around the world. We will continue to leverage the potential of our home fragrance business and develop sales markets not only in the UK but also around the world. Our tableware brand, Spode, will be 250 years old next year and we will be developing marketing and product plans to celebrate the heritage and the future of this iconic British brand.

As such, we remain confident in our ability to create shareholder value in the short, medium and long term.

Dick Steele	**Lawrence Bryan**
Non-executive Chairman	**Chief Executive**

Financial Review

2018 was a strong year, demonstrating our robust growth and profit generation. Overall business performance is shown in our key performance indicators in our annual report and accounts.

Revenue

Revenue totalled £89.6 million for the year ended 31 December 2018. This represented an increase of 5.7% over the previous year (2017: £84.8 million).

Sales in our US market were translated on consolidation at a lower exchange rate than in 2017. At constant currency the Group's sales were up 7.2% on the previous year.

Our revenue grew in all of our three biggest geographical markets. The UK market benefited from growth in both our ceramic business and also in Wax Lyrical, our home fragrance business. Our US market continued to expand with an ongoing shift to online business from traditional department stores. Sales in South Korea improved, reversing the trend of the last few years, aided by new product development.

New product launches continued to be a key driver of sales growth. This included product extensions to licensed ranges, such as Royal Worcester Wrendale Designs and Sara Miller London Portmeirion, delivering sales expansion on prior year. Heritage ceramic patterns under the Spode brand performed well - Spode Blue Italian was up 18% and Spode Christmas Tree was up 5%. Portmeirion Botanic Garden continued to sell well around the world.

Our home fragrance division was up 11.1% with sales growth from Made in England and seasonal ranges.

Profit

Profit before taxation was £9.7 million, an increase of £0.9 million on 2017.

Operating profit margins improved for the second consecutive year to 11.1% (2017: 10.7%). This was enabled by good control over our cost base and improved customer and product mix.

Earnings per share increased from 65.07p to 72.12p per share.

Interest and financing costs

Finance costs reduced by £0.2m over the prior year due to lower interest expense on the defined benefit pension scheme deficit and reduced borrowing costs.

Taxation

The charge for taxation was £2.0 million (2017: £1.9 million), an effective rate of taxation of 20.8% (2017: 22.0%). The decrease in the effective tax rate relates to the one-time adjustment in deferred tax on our US business in 2017 that does not repeat in 2018.

Dividends

The Board proposes a final dividend of 29.50p per share (2017: 27.26p) giving a total dividend for the year of 37.50p, an increase of 8.2% (2017: 34.66p). This final dividend is expected to be paid on 30 May 2019 to shareholders on the register on 26 April 2019 with an ex-dividend date of 25 April 2019. Our dividend cover increased from 1.85 to 1.93 times and the Board considers this to be a prudent level of cover with a long term target of approximately two times.

The Group remains committed to a progressive dividend policy.

Cash generation and net debt

At 31 December 2018, net cash was £2.3 million representing a £0.7 million improvement on December 2017 (net cash £1.6 million).

This was after new capital investment of £1.1 million, pension deficit contributions of £1.2 million, dividend payments of £3.8 million and tax of £1.6 million. We continue to expect that Portmeirion Group will remain a business that is cash generative.

Bank facilities

The Group has agreed debt facilities with Lloyds Bank, totalling £17 million at the balance sheet date. This consists of a £10 million revolving credit facility repayable in full in May 2022, a £2 million overdraft facility on an annual renewal cycle and a £10 million loan repayable equally over 5 years from May 2016, of which £5 million was outstanding at the year end.

Our business remains seasonal due to the timing of our sales. We therefore experience a large working capital swing during the year. Our committed funding addresses this and we believe is prudent.

Assets and liabilities

Controlling our working capital remains an area of focus for us. Inventory increased in the year from £18.1 million to £19.2 million. This increase was due to the impact of exchange rates on consolidation of our US business as well as increased stock build of key UK manufactured lines in preparation for 2019 orders.

During 2018, we paid £1.2 million into our defined benefit pension scheme, which was closed in 1999. Many companies carry defined benefit pension scheme deficits and our deficit is relatively modest. The accounting deficit reduced from £1.7 million at the end of 2017 to £nil in 2018. This improvement was due to our ongoing cash injection and changes to market forward assumptions. We continue to keep this under review.

At the end of the year, we held treasury shares with a book value of £0.4 million, in order to satisfy employee share schemes. These shares were originally bought at an average price of £1.87 each equating to 234,607 shares, having used 3,136 during the year. In addition, we also hold 245,523 shares in The Portmeirion Employees' Share Trust ('ESOP shares') to satisfy employees' share options. These ESOP shares have a book value of £2.8 million, having been bought at an average cost of £11.48 each. We increased our ESOP shares by 92,606 during the year.

Goodwill and intangibles on our balance sheet represent the value of acquired brands, including Spode, Royal Worcester and Wax Lyrical. The net book value of intangibles reduced in the year by £0.4 million, being the net of the £0.6 million amortisation in the year reduced by £0.2 million of computer software additions.

Treasury and risk management

The impact of transactional currency flows on the Group's profit is limited due to natural matching across different regions. Where there is an anticipated material exposure to the Group, then our policy is to use appropriate hedging instruments to mitigate that risk. We have a robust approach to managing risk to deliver our strategy as is explained in our annual report and accounts.

Mike Raybould

Group Finance Director

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Revenue	**3**	**89,594**	84,769
Operating costs		**(79,688)**	(75,687)
Operating profit		**9,906**	9,082
Interest income		**14**	17
Finance costs	**5**	**(301)**	(487)
Share of results of associated undertakings		**95**	210
Profit before tax		**9,714**	8,822
Tax		**(2,023)**	(1,944)

Profit for the year attributable to equity holders		**7,691**	6,878
Earnings per share	**2**	**72.12p**	65.07p
Diluted earnings per share	**2**	**71.90p**	64.79p
Dividends paid and proposed per share	**4**	**37.50p**	34.66p

All the above figures relate to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 £'000	2017 £'000
Profit for the year	**7,691**	6,878
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of net defined benefit pension scheme liability	**495**	4,428
Deferred tax relating to items that will not be reclassified subsequently to profit or loss	**(84)**	(753)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**680**	(767)
Deferred tax relating to items that may be reclassified subsequently to profit or loss	**(33)**	(57)
Other comprehensive income for the year	**1,058**	2,851
Total comprehensive income for the year attributable to equity holders	**8,749**	9,729

CONSOLIDATED BALANCE SHEET

31 December 2018

	2018 £'000	2017 £'000
Non-current assets		
Goodwill	**7,229**	7,229
Intangible assets	**5,680**	6,058
Property, plant and equipment	**9,666**	10,149
Interests in associates	**2,567**	2,525
Deferred tax asset	**-**	340
Total non-current assets	**25,142**	26,301
Current assets		
Inventories	**19,179**	18,074
Trade and other receivables	**15,638**	12,431

Cash and cash equivalents	**7,214**	8,487
Total current assets	**42,031**	38,992
Total assets	**67,173**	65,293
Current liabilities		
Trade and other payables	**(12,025)**	(10,556)
Current income tax liabilities	**(546)**	(475)
Borrowings	**(1,981)**	(1,981)
Total current liabilities	**(14,552)**	(13,012)
Non-current liabilities		
Pension scheme deficit	**(6)**	(1,672)
Deferred tax liability	**(991)**	(882)
Borrowings	**(2,974)**	(4,955)
Total non-current liabilities	**(3,971)**	(7,509)
Total liabilities	**(18,523)**	(20,521)
Net assets	**48,650**	44,772
Equity		
Called up share capital	**555**	554
Share premium account	**7,310**	7,193
Investment in own shares	**(3,257)**	(1,876)
Share-based payment reserve	**282**	550
Translation reserve	**2,723**	2,076
Retained earnings	**41,037**	36,275
Total equity	**48,650**	44,772

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital £'000	Share premium account £'000	Investment in own shares £'000	Share-based payment reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2017	550	6,624	(2,936)	496	2,900	29,154	36,788
Profit for the year	-	-	-	-	-	6,878	6,878
Other comprehensive income for the year	-	-	-	-	(824)	3,675	2,851
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(824)**	**10,553**	**9,729**
Dividends paid	-	-	-	-	-	(3,433)	(3,433)
Increase in share-based payment reserve	-	-	-	66	-	-	66
Transfer on exercise or lapse of options	-	-	-	(12)	-	12	-
Shares issued under employee share schemes	4	569	1,094	-	-	(7)	1,660
Purchase of own shares	-	-	(34)	-	-	-	(34)
Deferred tax on share-							

based payment	-	-	-	-	-	(4)	(4)
At 1 January 2018	**554**	**7,193**	**(1,876)**	**550**	**2,076**	**36,275**	**44,772**
Profit for the year	-	-	-	-	-	7,691	7,691
Other comprehensive income for the year	-	-	-	-	647	411	1,058
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**647**	**8,102**	**8,749**
Dividends paid	-	-	-	-	-	(3,766)	(3,766)
Increase in share-based payment reserve	-	-	-	143	-	-	143
Transfer on exercise or lapse of options	-	-	-	(411)	-	411	-
Shares issued under employee share schemes	1	117	1,138	-	-	(6)	1,250
Purchase of own shares	-	-	(2,519)	-	-	(2)	(2,521)
Deferred tax on share-based payment	-	-	-	-	-	23	23
At 31 December 2018	**555**	**7,310**	**(3,257)**	**282**	**2,723**	**41,037**	**48,650**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018	2017
	£'000	£'000
Operating profit	**9,906**	9,082
Adjustments for:		
Depreciation of property, plant and equipment	**1,326**	1,329
Amortisation of intangible assets	**591**	588
Charge for share-based payments	**143**	66
Exchange gain/(loss)	**31**	(168)
Profit on sale of tangible fixed assets	**(16)**	(17)
Operating cash flows before movements in working capital	**11,981**	10,880
Increase in inventories	**(657)**	(2,243)
Increase in receivables	**(3,005)**	(193)
Increase in payables	**1,355**	1,992
Cash generated from operations	**9,674**	10,436
Contributions to defined benefit pension scheme	**(1,200)**	(1,200)
Interest paid	**(248)**	(247)
Income taxes paid	**(1,591)**	(2,246)
Net cash from operating activities	**6,635**	6,743
Investing activities		
Interest received	**14**	17
Dividend received from associate	**115**	-
Proceeds on disposal of property, plant and equipment	**76**	47
Purchase of property, plant and equipment	**(879)**	(938)
Purchase of intangible assets	**(213)**	(80)
Net cash outflow from investing activities	**(887)**	(954)
Financing activities		
Equity dividends paid	**(3,766)**	(3,433)
Shares issued under employee share schemes	**1,250**	1,660

Purchase of own shares	**(2,521)**	(34)
New bank loans raised	**3,000**	3,000
Repayments of borrowings	**(5,000)**	(5,000)
Net cash outflow from financing activities	**(7,037)**	(3,807)
Net (decrease)/increase in cash and cash equivalents	**(1,289)**	1,982
Cash and cash equivalents at beginning of year	**8,487**	6,540
Effect of foreign exchange rate changes	**16**	(35)
Cash and cash equivalents at end of year	**7,214**	8,487

NOTES TO THE PRELIMINARY RESULTS

1. This announcement was approved by the Board of Directors on 20 March 2019.

1.1 The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2018 or 2017, but is derived from those accounts. Statutory accounts for 2017 have been delivered to the Registrar of Companies and those for 2018 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Sections 498(2) or (3) of the Companies Act 2006.

1.2 For the year ended 31 December 2018 the Group has prepared its annual report and accounts in accordance with accounting standards adopted for use in the European Union (International Financial Reporting Standards).

This financial information has been prepared in accordance with the accounting policies stated in the Group's financial statements for the year ended 31 December 2018.

The financial statements have been prepared on the historical cost basis, with the exception of derivative financial instruments which are stated at their fair value.

1.3 At 31 December 2018 the Group had a net cash balance of £2.3 million and had a bank facility of £17 million. It manufactures approximately 49% of its products and sources the remainder from third party suppliers. The Group sells into a number of different markets worldwide and has a spread of customers within its major UK and US markets.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

NOTES TO THE PRELIMINARY RESULTS
Continued

2. Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

	Earnings £'000	**2018 Weighted average number of shares**	**Earnings per share (pence)**	Earnings £'000	2017 Weighted average number of shares	Earnings per share (pence)
Basic earnings per share	**7,691**	**10,664,531**	**72.12**	6,878	10,570,942	65.07
Effect of dilutive securities:	**-**	**32,746**	**-**	-	45,459	-
employee share options						
Diluted earnings per share	**7,691**	**10,697,277**	**71.90**	6,878	10,616,401	64.79

3. **Segmental reporting**

The following tables provide an analysis of the Group's revenue by operating segment and geographical market, irrespective of the origin of the products:

Operating segment	**2018 £'000**	2017 £'000
Portmeirion UK - ceramic	**48,141**	46,146
Portmeirion USA - ceramic	**25,988**	24,700
Home fragrance	**15,465**	13,923
	89,594	84,769

Geographical market	**2018 £'000**	2017 £'000
United Kingdom	**31,487**	28,836
United States	**26,669**	25,156
South Korea	**8,229**	6,604
Rest of the World	**23,209**	24,173
	89,594	84,769

4. **Dividends**

The Directors recommend that a final dividend for 2018 of 29.50p (2017: 27.26p) per ordinary share be paid, subject to shareholders' approval, on 30 May 2019 to shareholders on the register on 26 April 2019. The total dividend paid and proposed for the year is 37.50p (2017: 34.66p) per share.

5. **Finance costs**

	2018 £'000	2017 £'000
Interest paid	**260**	313
Realised losses on financial derivatives	**12**	4
Net interest expense on pension scheme deficit	**29**	170
	301	487

6. **Reconciliation of earnings before interest, tax, depreciation and amortisation (EBITDA)**

	2018	2017
	£'000	£'000
Operating profit	**9,906**	9,082
Add back:		
Depreciation	**1,326**	1,329
Amortisation	**591**	588
Earnings before interest, tax, depreciation and amortisation	**11,823**	10,999

The accounts for the year ended 31 December 2018 will be posted to shareholders on or before 12 April 2019 and laid before the Company at the Annual General Meeting on 16 May 2019. Copies will be available from the Company Secretary at Portmeirion Group PLC, London Road, Stoke-on-Trent, Staffordshire, ST4 7QQ, or from the website www.portmeiriongroup.com.