

Orridge UK Retail Return to Profit Strategy

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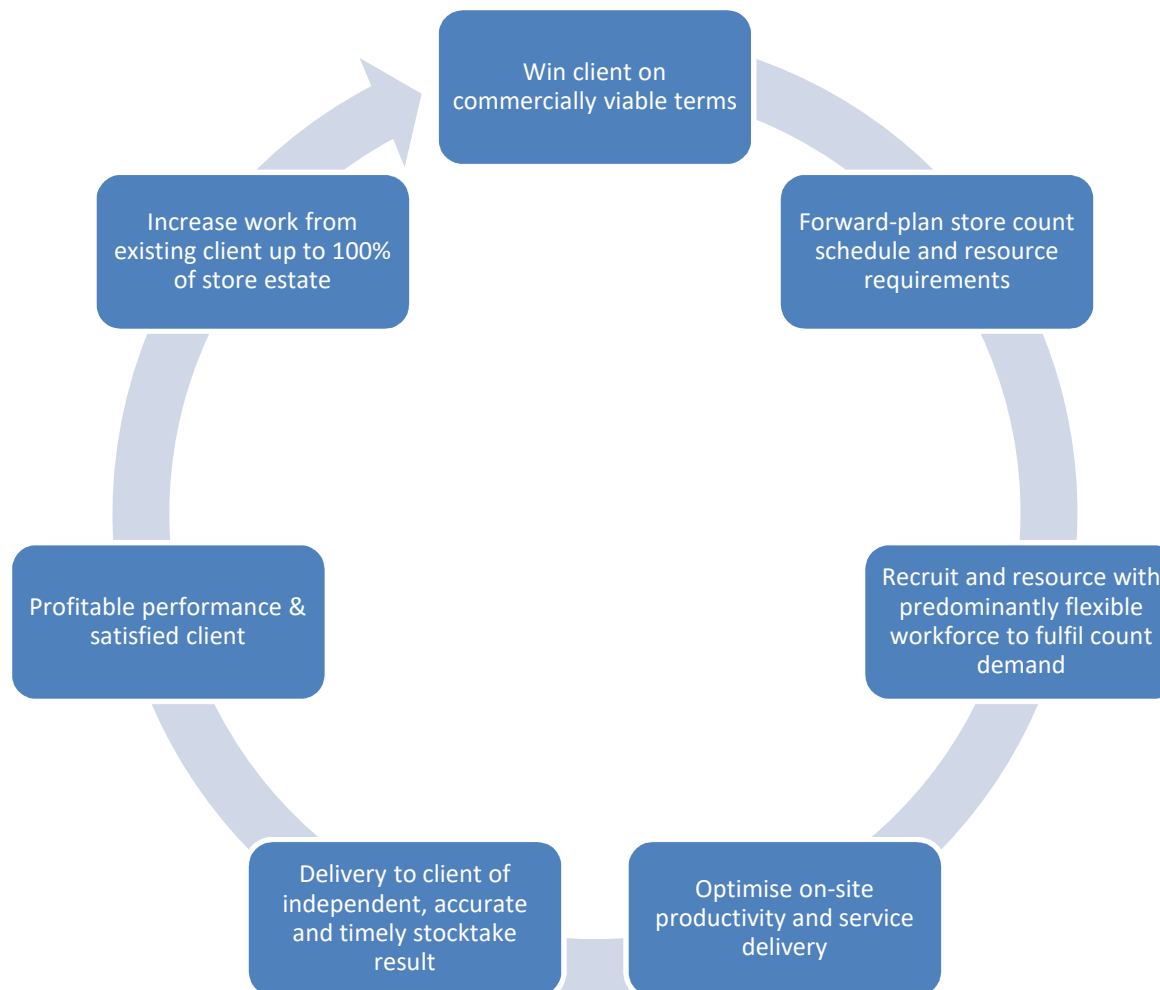
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Overview of the retail stocktaking business model

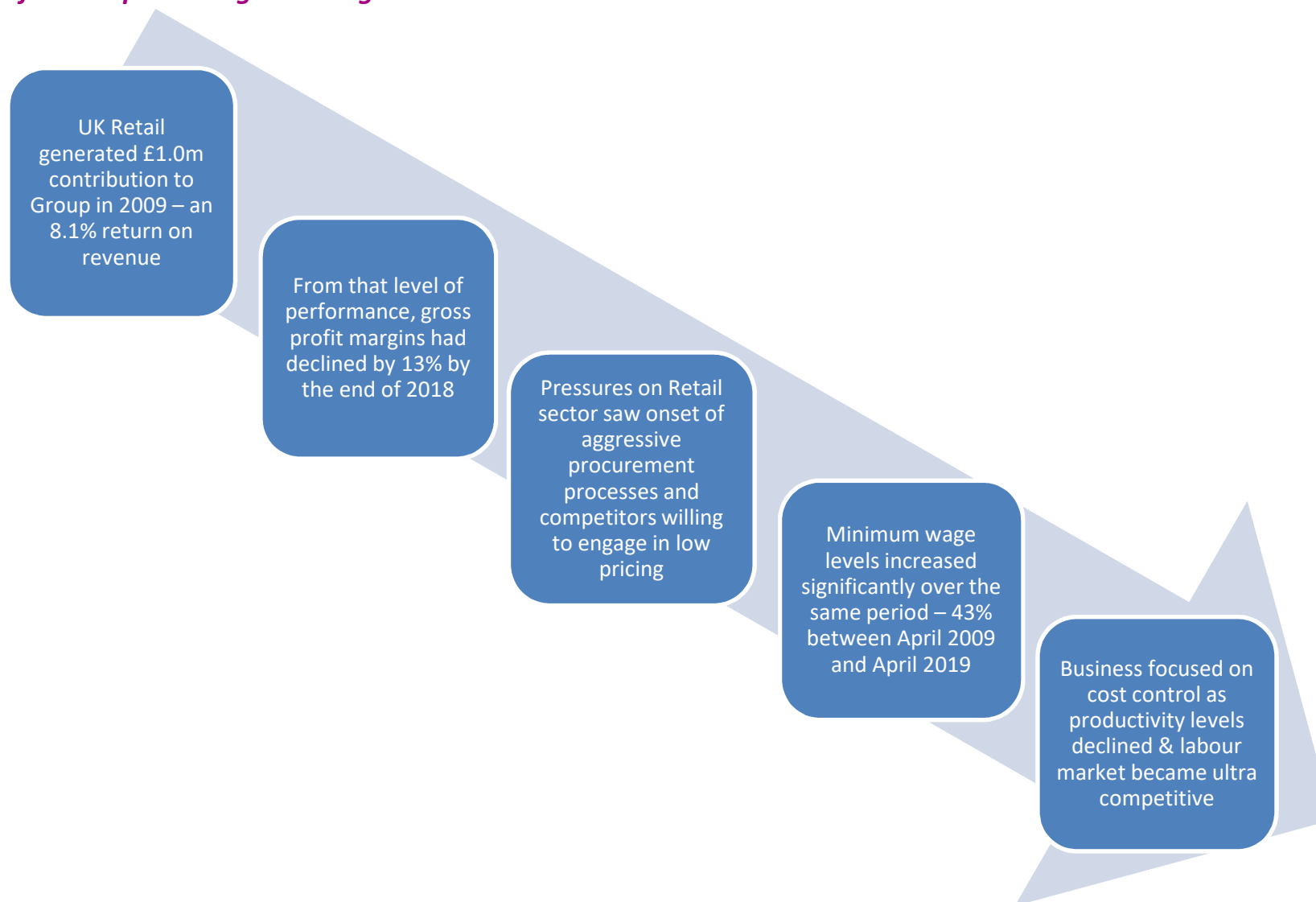
Inter-related process flow aimed at delivering professional service standard to clients



- Retail stocktaking services can appear a relatively simple concept
- Commercially viable pricing is key at the outset
- Must then be followed by highly efficient logistics process and planning to recruit and resource variable count demands
- Predominantly casual workforce must then stocktake with accuracy at efficient count speeds
- End result should be a satisfied client who is willing to increase work for Orridge or a successful tender for new business, and a profitable result for Orridge

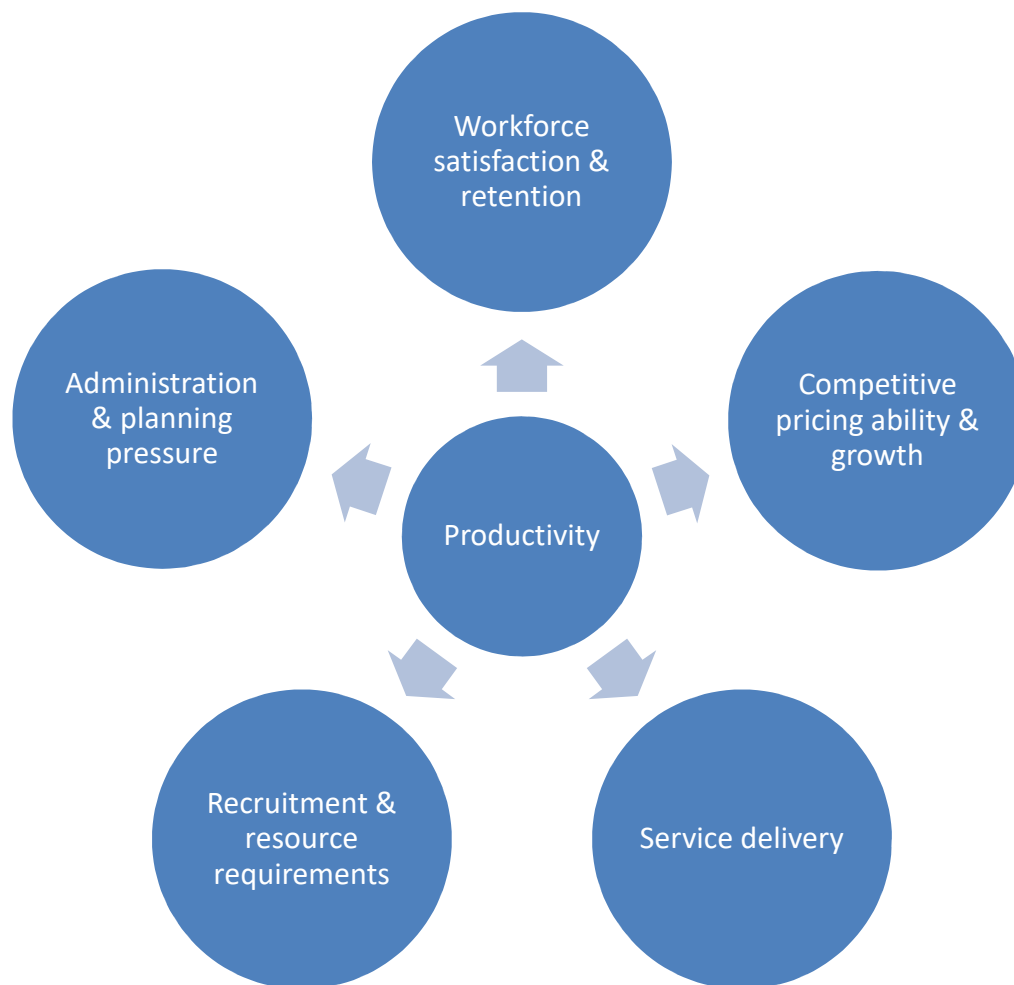
So what has gone wrong?

Highly competitive sector, rising wage costs and decline in operational efficiency have resulted in previously profitable operation generating losses



Productivity is absolutely key

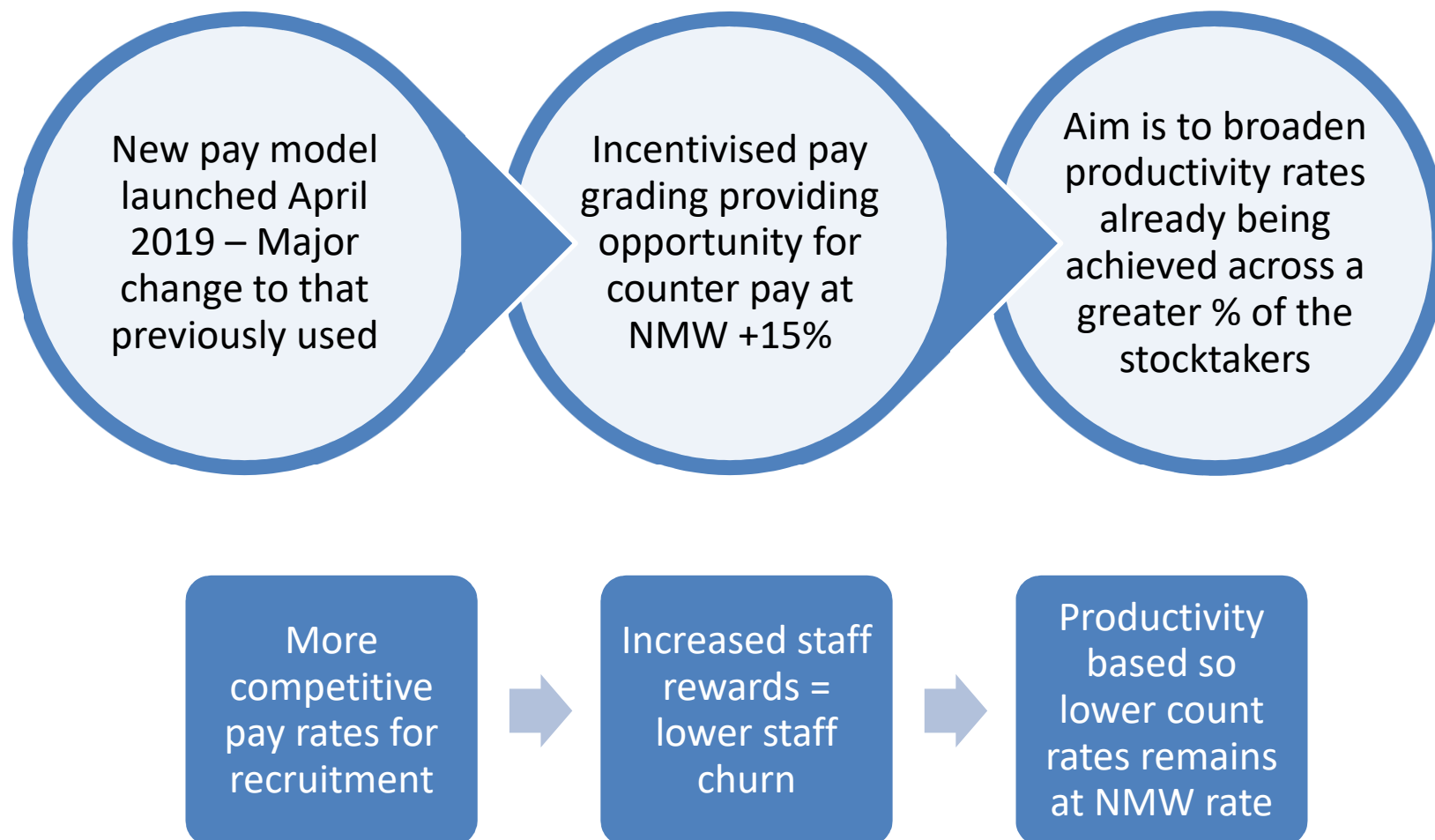
Optimising the speed with which counts are carried out is fundamental to a successful UK Retail operation



- Productivity – principally count speed – impacts on every other factor in delivering a successful Orridge
- Sub-standard performance in this area leads to uncompetitive pricing, overruns and other service issues, increased recruitment needs and pressure on the planning teams resulting in sub-optimal decision-making
- As such aligning the workforce remuneration and incentivisation with this is key

Aligning pay & productivity

New pay model creates different method of incentivisation to drive productivity and combat labour market pressures



Addressing the challenges of a flexible workforce

Recognising the casual workforce as a consumer with options is key

- Hourly paid casual workforce is flexible to varying count patterns and seasonality but presents challenges to manage
- Hourly paid workers enjoy the flexibility of the work but can choose where they go and when they work – zero hours can equal zero commitment in a high employment labour market
- Supervisors who manage counts on site are key to count fulfilment and driving count rates during the count itself
 - Increasing profile of permanent supervisors to that traditionally used will create more stable workforce
 - Will improve count fulfilment due to increased reliability
 - Client experience improved
 - Upskilling and training of those supervisors becomes more viable to drive counting team productivity improvements further
- Flexible workforce is effectively another client whose onboarding experience must be easy – we have further improvements to make in H2 in this area



Commercial reality & opportunity in the retail sector

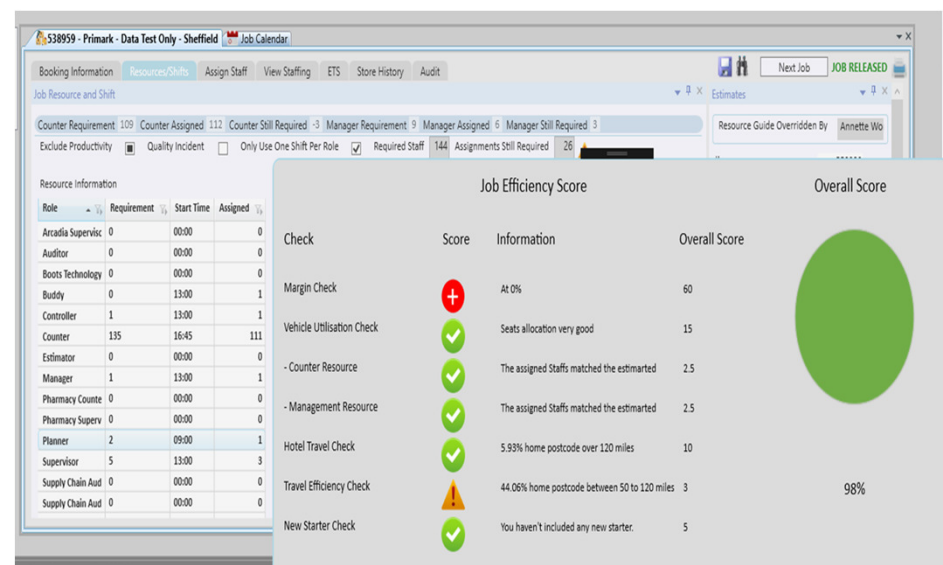
More commercial reality from clients to pricing in face of wage inflation while new opportunities continue to arise for independent stocktaking services

- Despite the challenges of recent years, Orridge has a strong record of retaining blue chip retailers and its client base remains strong
- While there are well publicised challenges for some retailers – commonly around landlord-focused CVAs as property costs have become untenable – our own experience has been limited in that respect to date
- The success of Primark, Lidl etc highlights that retailers can continue to succeed despite changes in consumer habits
- Demand for independent stocktaking services remains prevalent with retailers who have not outsourced now opting to do so
- Pricing expectations for these types of clients are not uncommercial or unrealistic where pre living wage it was typically a procurement-led race to the bottom
- Our own pricing strategy is clear and we will not take on work which we cannot price at a level able to generate an appropriate margin or which is fundamentally loss-making in view of our overheads
- Similarly we will continue to seek renegotiation of commercial terms – with a number of successes to date which have continued into 2019 – on longer term relationships we perceive as inadequate commercially

Technology developments

A number of developments in H1 2019 are to be followed by further investment going forward to enhance client experience and increase operational efficiencies

- 'Green screen' tool developed in house to enhance scheduling & planning decisions and drive profitable job planning
- Fleet management enhanced through implementation of vehicle telematics
- Alongside new pay model we have developed in-count reporting of target count rates to drive in-count management and counter performance
- More to do in H2 eg mobile optimisation of worker portal, enhancing worker availability and onboarding experience
- Client demands for technology supplements to existing service are increasing
- Use of tablets for in-count visibility and reporting and improved online reporting tools are most typical
- Equipment we have is capable of upgrade to accommodate 2D codes and RFID if client demand increases



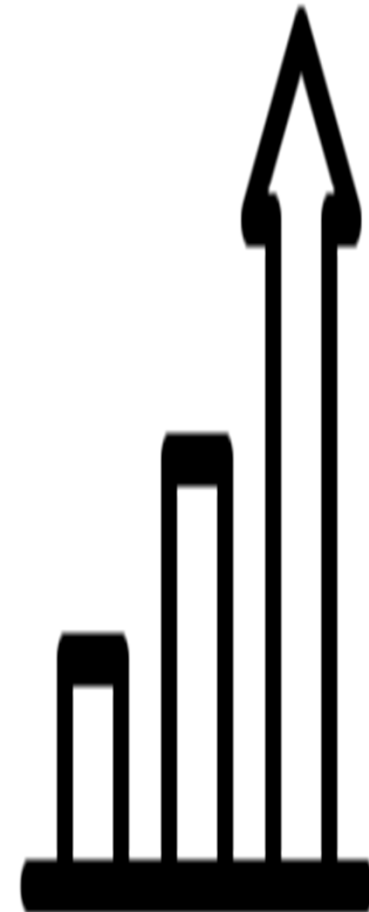
ABOUT TELEMATICS



What's the aim and the timescales?

Realistic objective is a return to sustainable profitability in 2020

- Aim is to return business to sustainable annualised profits, noting what it has previously proved capable of
- Expectation is that the 2020 budget will be based on profitable performance from UK Retail
- Further work to be done in H2 2019 on operational efficiencies, technology, processes and staffing models to create infrastructure necessary
- Changes being made are intended to be long term changes to ensure sustainability moving forwards
- That recognises need to invest in the key resources of the business – people & technology
- Incremental overheads of business can be controlled to create healthy margin on growth revenues
- Return to profit can then provide foundation for subsequent growth in revenues
- Reasonable to expect revenue growth in retail stocktaking to deliver incremental operating profit margins consistent with Group strategy



Q&As