



# Altitude Group plc

Preliminary Results Presentation  
June 2018



- **Rapid expansion in US through AIMPro rollout is our strategic priority**
  - **AIM** partnership enhanced/extended
  - On-boarding of **AIM** members began Jan 2018 – encouraging progress being achieved
  - 51 preferred suppliers on-boarded
- **Two year partnership signed with Napco media**
- **Soft launch in UK of complementary website *andeverything.com***
- **Acquisition of Ad Products.com Ltd (AP), a UK based supplier of promotional products**
- **Board strengthened with appointments of new CEO & CFO**

# 2017 Full Year Earnings

Increased Profitability / Further cost reduction / First time Ad Products Contribution



## FINANCIAL HIGHLIGHTS

### REVENUE

- Up 41% to £6.1m
- +£2.1m first time revenue from Ad Products
- Technology revenues maintained at £2.5m incl £0.1m ecommerce
- UK Exhibitions & Publications down by £0.3m

### GROSS MARGIN

- £0.8m increase to £4.3m
- +£1.2m first time margin from Ad Products
- Technology margin maintained 86.3% (2016: 86.2%)
- £0.4m reduction due to exhibitions & publications

### ADJUSTED OPERATING COSTS\*

- Underlying decrease £0.3m, excluding ADP costs of £0.9m
- Cost reduction in exhibitions & publications to offset margin
- Software development costs £0.4m (£0.5m capitalised)

### PROFITABILITY

- Op Profit & PBT +71.8% to £125k (2016: £73k)
- Basic EPS +50.3%; Fully Diluted +59.2%

## INCOME STATEMENT

	2017	2016	Variance	
	£000	£000	£000	%
Revenue	6,106	4,323	1,783	+41.2%
Gross Profit	4,331	3,500	831	+23.7%
	70.9%	81.0%		
Adjusted Operating costs*	(3,423)	(2,935)	(488)	16.6%
<b>Adjusted Operating Profit*</b>	<b>908</b>	<b>565</b>	<b>343</b>	<b>+60.7%</b>
Share based payments	(79)	(25)	(54)	222.1%
Amortisation	(383)	(400)	16	(4.1%)
Exceptional charges	(321)	(68)	(253)	371.7%
<b>Operating Profit</b>	<b>125</b>	<b>73</b>	<b>52</b>	<b>+71.8%</b>
Interest	-	-	-	-
<b>Profit before tax</b>	<b>125</b>	<b>73</b>	<b>52</b>	<b>+71.8%</b>
<b>Earnings per share - pence</b>				
Basic	0.26	0.17		50.3%
Fully Diluted	0.25	0.15		59.2%

\*before share based payments, amortisation & exceptional charges

# 2017 Full Year Cash Flow

Increased Profitability / Further cost reduction / First time ADP Contribution



## CASHFLOW HIGHLIGHTS

- PBT after charging £0.3m exceptional costs (employment termination costs)
- ADP (£0.6m) net working capital build up arising from net asset purchase
- Intangible capex comprises:
  - £0.5m development costs
  - £0.1m US patent extension costs
- Proceeds from the issue of shares are net of expenses

## CASHFLOW STATEMENT

	2017	2016	Variance	
	£000	£000	£000	%
<b>Profit before tax</b>	125	73	52	71.2%
Amortisation & depr'n	421	427	(6)	(1.4%)
Share based payments	79	25	54	216.0%
<b>Operating Cash inflow before W Cap</b>	<b>625</b>	<b>525</b>	<b>100</b>	<b>19.0%</b>
Movement in Working Capital	(943)	(66)	(877)	1328.1%
<b>Operating Cash (outflow) / inflow</b>	<b>(318)</b>	<b>459</b>	<b>(777)</b>	<b>(169.2%)</b>
Acquisition of Adproducts assets	(748)	-	(748)	(100.0%)
Capex tangible	(56)	(7)	(49)	702.0%
Capex intangible	(591)	(282)	(309)	109.7%
<b>Cashflow before financing</b>	<b>(1,713)</b>	<b>170</b>	<b>(1,883)</b>	<b>(1107.8%)</b>
Issue of shares for cash	2,936	205	2,731	1332.1%
<b>Net Cash inflow/(outflow)</b>	<b>1,222</b>	<b>375</b>	<b>847</b>	<b>226.0%</b>
Cash bal b/fwd	741	366	375	102.5%
<b>Cash bal c/fwd</b>	<b>1,963</b>	<b>741</b>	<b>1,222</b>	<b>165.0%</b>



# US Promotional Products Market

Very Large, Highly Fragmented, Low Online Penetration



- **Highly fragmented market**

- Perceived largest player 4Imprint c.2.7% market share
- Distributors see threat of large online retailers entering the market
- 90% of orders currently handled by independent distributors

- **Inefficient market structure**

- 90%+ is face-to-face/fax/phone/email
- Proofing process is slow and costly
- Suppliers receive less than 10% of orders electronically
- Cost prohibitive for small distributors/resellers to develop an online presence

\* PPAI 2017 Annual sales volume estimate

	USA
Current market size	\$23bn*
Online share (lead generation)	10%
Number of product suppliers	4,000
Distributors/Resellers	22,000





Compelling reasons to use CHANNL PRO		
Suppliers	Distributors/Resellers	End-User
<ul style="list-style-type: none"> <li>• Increased business through access to aggregated orders</li> <li>• Single point of engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Free access to leading tech</li> <li>• True ecommerce platform</li> <li>• Enables them to compete vs new online entrants</li> <li>• Instant online stores</li> <li>• Integrated CRM &amp; offline ordering</li> </ul>	<ul style="list-style-type: none"> <li>• Easier to design</li> <li>• Easier to buy</li> <li>• No human intervention</li> </ul>
<ul style="list-style-type: none"> <li>• Removes customer acquisition costs</li> </ul>	<ul style="list-style-type: none"> <li>• Free bespoke webstores for multiple customers</li> </ul>	<ul style="list-style-type: none"> <li>• Real-time personalisation and artwork ready</li> </ul>
<ul style="list-style-type: none"> <li>• Proofing and process efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• No costs/interference associated with artwork</li> </ul>	<ul style="list-style-type: none"> <li>• No proof exchange</li> <li>• Faster delivery</li> </ul>



“White Label” solution combining Altitude’s cloud-based highly scalable e-commerce platform (Channl) and offline CRM & order system to capture total transactional pipeline (online and offline) from supplier to end user



- Revenue model based on capture of the transactional pipeline onto **AIMPro**
- Supplier fee % currently blended rate based on current offline dominance
- Transaction fee% will increase as online orders grow
- Medium term target is capture of 90% of AIM members transacting on **AIMPro**



	Suppliers		Distributors
	<i>Transaction Fee % of PO value</i>	<i>Transaction Fee As % of SO value</i>	<i>Transaction Fee/Commission</i>
Offline orders	<b>Up to 6%</b>	<b>Up to 3.9%</b>	<b>nil</b>
Online orders	<b>Up to 15%</b>	<b>Up to 9.8%</b>	<b>nil</b>
andeverything.com	<b>Up to 8%</b>	-	<b>Up to 12%</b>





- **AIM** is a fast-growing buying group of distributors in the US.
- Members now total 1,704 – an increase of 125 (+8%) since February.
- Combined revenue is c\$1.5bn – c.6.5% market share
- Average revenue per member c.\$880k pa
- **Altitude's** partnership with **AIM** has been extended to 2022
- Exclusive and Endorsed technology partner to **AIM**
- **AIM** working in tandem with **Altitude**:
  - member education, webinars & events
  - providing marketing support
  - assist and promote on-boarding to **AIMPro Tech Suite**
- Ongoing US roadshows and digital marketing programme driving high & immediate response
- On-boarding team in place

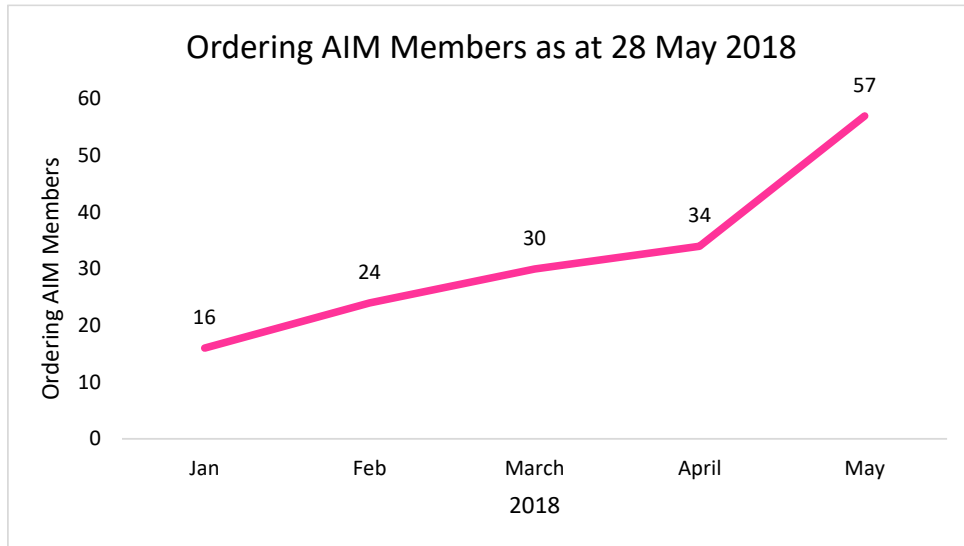




# AIM Members On-Boarding Progress

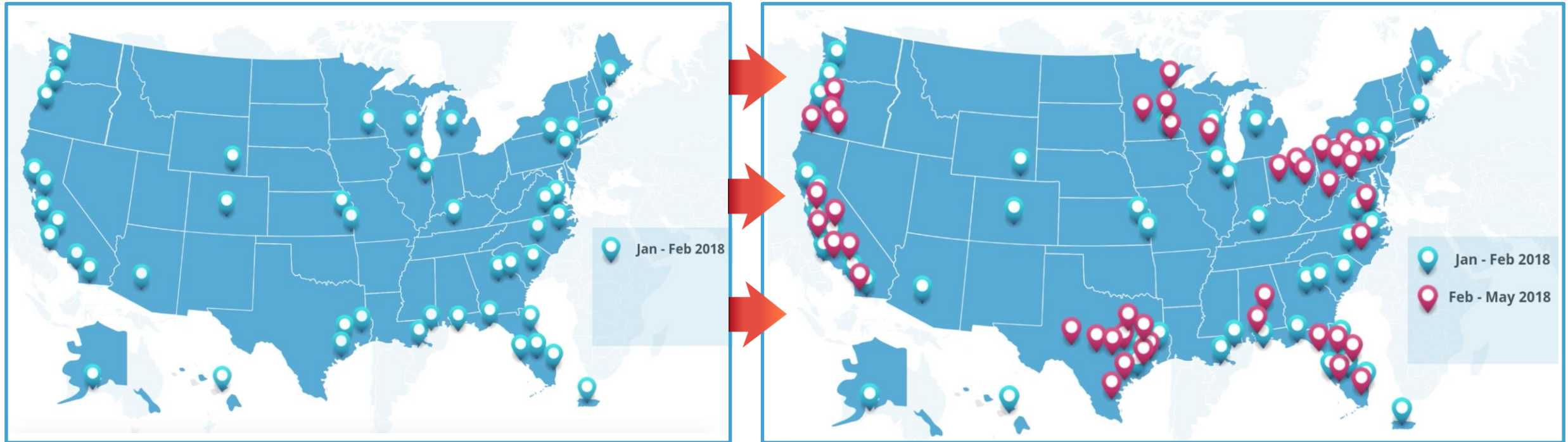


- **Total sales orders placed to date**      **\$2.8m**
- **AOV**      **\$1,258**
- **No.of orders**      **2,245**
- Full time US based engagement team now in place
- Ordering members accelerating quickly:
  - Average growth 39% per month
  - 68% growth in May to date (3 weeks)



On-Boarding Status	28 May		28 Feb	
	No.	%	No.	%
Placed multiple orders	37	2.2%	12	0.4%
Placed first order	20	1.1%	12	0.0%
<b>Ordering Members</b>	<b>57</b>	<b>3.3%</b>	<b>24</b>	<b>0.4%</b>
On-boarded not yet ordered	23	1.4%	47	4.1%
<b>On-Boarded members</b>	<b>80</b>	<b>4.7%</b>	<b>71</b>	<b>4.5%</b>
On-boarding in progress	109	6.4%	19	1.2%
On-boarding queue	89	5.2%	18	1.1%
Acquisition (Demo)	184	10.8%	64	4.0%
<b>Total Engaged Members</b>	<b>462</b>	<b>27.1%</b>	<b>172</b>	<b>10.9%</b>
<b>Total AIM Membership</b>	<b>1,704</b>	<b>100%</b>	<b>1,579</b>	<b>100%</b>





# AIM Suppliers On-Boarding Status



- **Total Purchase Orders placed to date**    **\$1.7m**
- **AOV**    **\$751**
- **No. of orders**    **2,291**
- Supplier penetration building
- High enthusiasm – Suppliers do not want to miss out
- Data upload of product outsourced to India
- Supplier on-boarding assisted by existing Altitude proprietary database
- Supplier base will be leveraged in other “ChannIPro” partnerships including NAPCO

<b>On-Boarding Status</b>	<b>28 May</b>	
	<b>No.</b>	<b>%</b>
AIM Preferred Suppliers (“APS”) Receiving Orders	<b>33</b>	<b>17.7%</b>
APS sign ups	18	9.7%
<b>Total APS signed up</b>	<b>51</b>	<b>27.4%</b>
APS finalising	6	3.2%
APS in negotiation	25	13.4%
<b>Total Engaged Suppliers</b>	<b>82</b>	<b>44.1%</b>
<b>Total AIM Preferred Suppliers</b>	<b>186</b>	<b>100%</b>

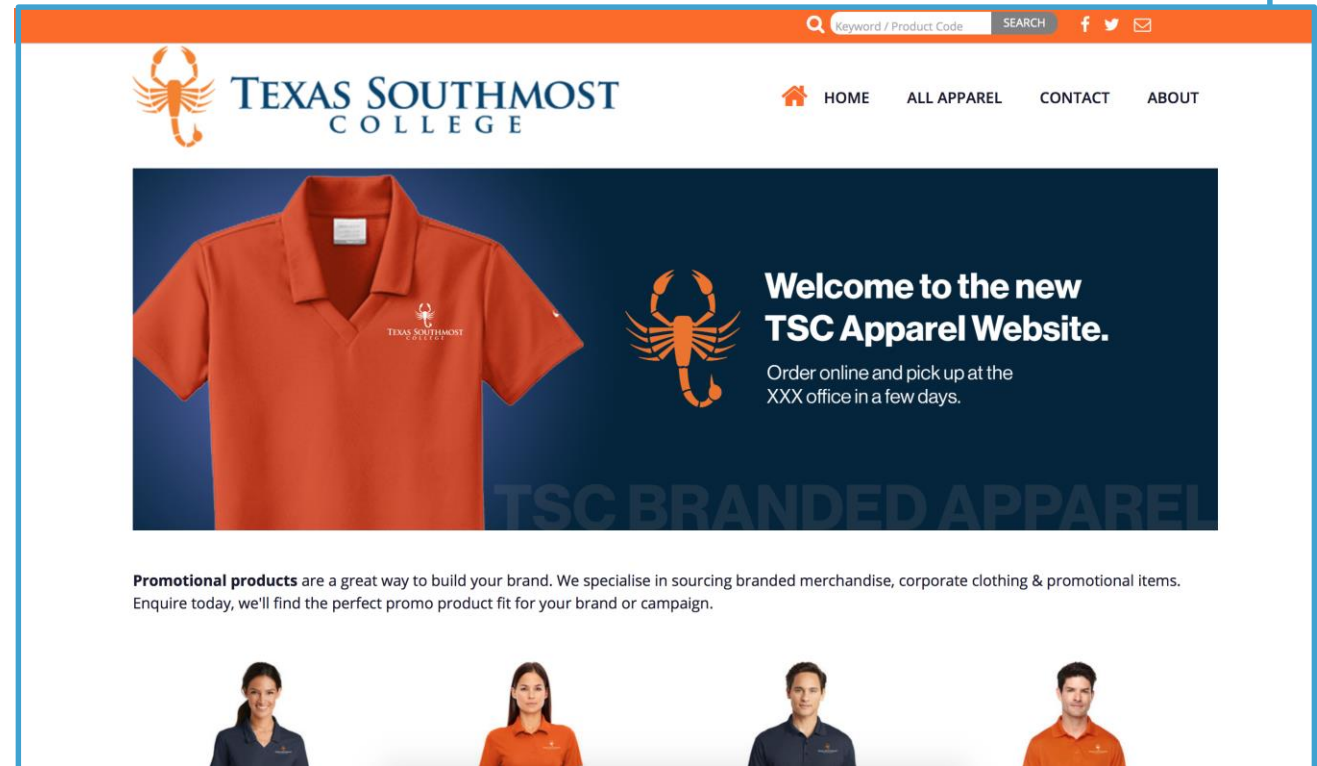


# AIM Member Case Study #1



## AIM Member, Texas, USA

- AIM Member on-boarded 2 May 2018
- First order placed 14 May 2018
- AIMPro Customer Success Team helped to build 1<sup>st</sup> ecommerce **Channl** site
- Launched 2<sup>nd</sup> store later in May with no assistance
- 6 orders placed to date
- Never traded online before **AIMpro**

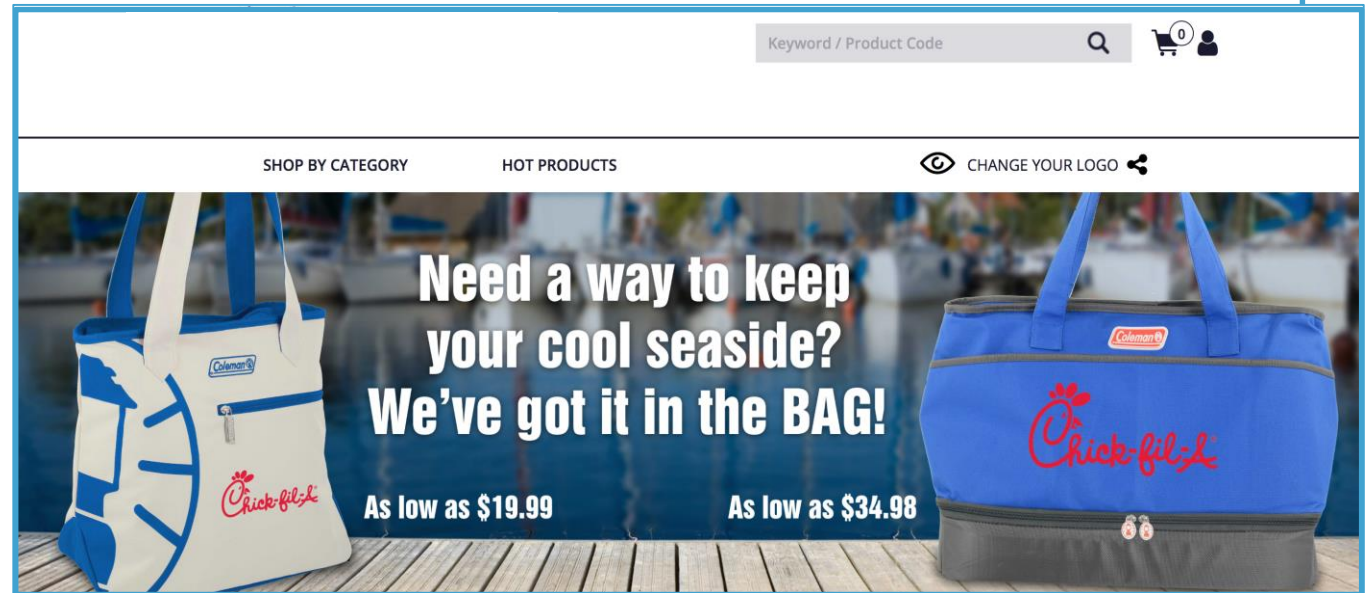


# AIM Member Case Study #2



## AIM member, Illinois, USA

- AIM Member on-boarded 9 March 2018
- First order placed 13 March 2018
- \$1,022 AOV
- \$15.3K total order value to date
- 12 Orders





- New 2 year partnership agreement with Printing Packaging & Publishing division of **NAPCO Media** (North American Publishing Company), based in Philadelphia US
- Altitude will provide a “White Labelled” **ChannIPro** platform mirroring the **AiMpro** product
- Access to c.80,000 print businesses of which c.12,500 are already active in the PPD market
- **ChannIPro** platform will provide easy access to the PPD market for the whole NAPCO print community
- Leverage the same supplier database already partnering via **AiMpro**
- Platform launch July 2018

### NAPCO Publications

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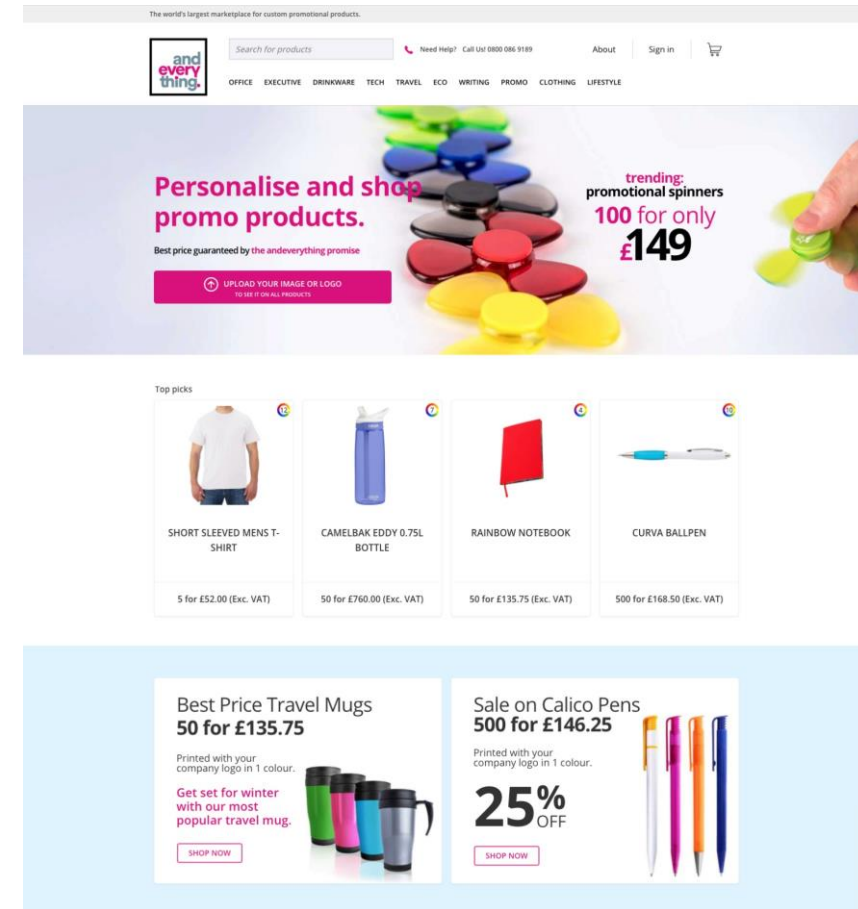
In-plantGraphics

**PRINTING  
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- **Soft/test** launched in UK mid-January, **US launch** scheduled later this year
- **andeverything.com** (“AE”) is an aggregating marketplace for promotional products with full **Channl** personalisation technology
- Distributors subscribe for products to be listed
- AE is supported by SEO spend
- AE totally complementary to **AiMpro** and other **ChannlPro** platforms
- Revenue derived from commission (12%) payable by the distributor/**ChannlPro** member
- Where order placed on a **Channl** or **ChannlPro** supplier, additional fees earned
- Launch in the US will enhance **ChannlPro** offering & attraction





- Acquired June 2017 for net asset value £0.8m, to supply Channl in UK
- UK promotional products supplier/printer: 2017 Revenue £2.1m, EBITDA £0.3m
- 2017 post-acquisition trading in line with expectations
- New product range to support Channl UK

## CUSTOMERFOCUS.

### Technology

- Overall tech revenues maintained at £2.5m, including £0.1m from ecommerce
- Also comprises saas “Promoserve” ERP system and multiple SaaS web and cloud-based applications, UK & US
- ERP prices increased in 2017, SaaS model moving to throughput basis
- Group 2017 revenues in line with expectations
- Revenue remains stable as resources diverted to supporting ChannlPro in US

### Exhibitions & publications

- Both non-core
- Exhibitions traded in line with expectations in 2017
- Both utilised to maximise exposure of AdProducts, Channl, andeverything.com and SaaS applications
- Revenue declining in each in line with declining sectors



- **2017 results broadly in line with expectations**
- **AiMpro roll out progressing and accelerating - 57 members currently ordering**
- **Strong supplier interest and demand – 51 suppliers signed up**
- **Permanent US team recruited and driving engagement**
- **NAPCO launch planned for Q3 2018**
- **Board confident of continued momentum**



ALTITUDE  
GROUP PLC

# Appendix



## **Nichole Stella – CEO**

- Experienced career US Promo industry professional
- 12 years in US with Promo Media Marketing Group; last 6 years as President and Chief Revenue Officer
- Promo media Marketing Group is a division of Napco Media



## **Graeme Couturier – CFO**

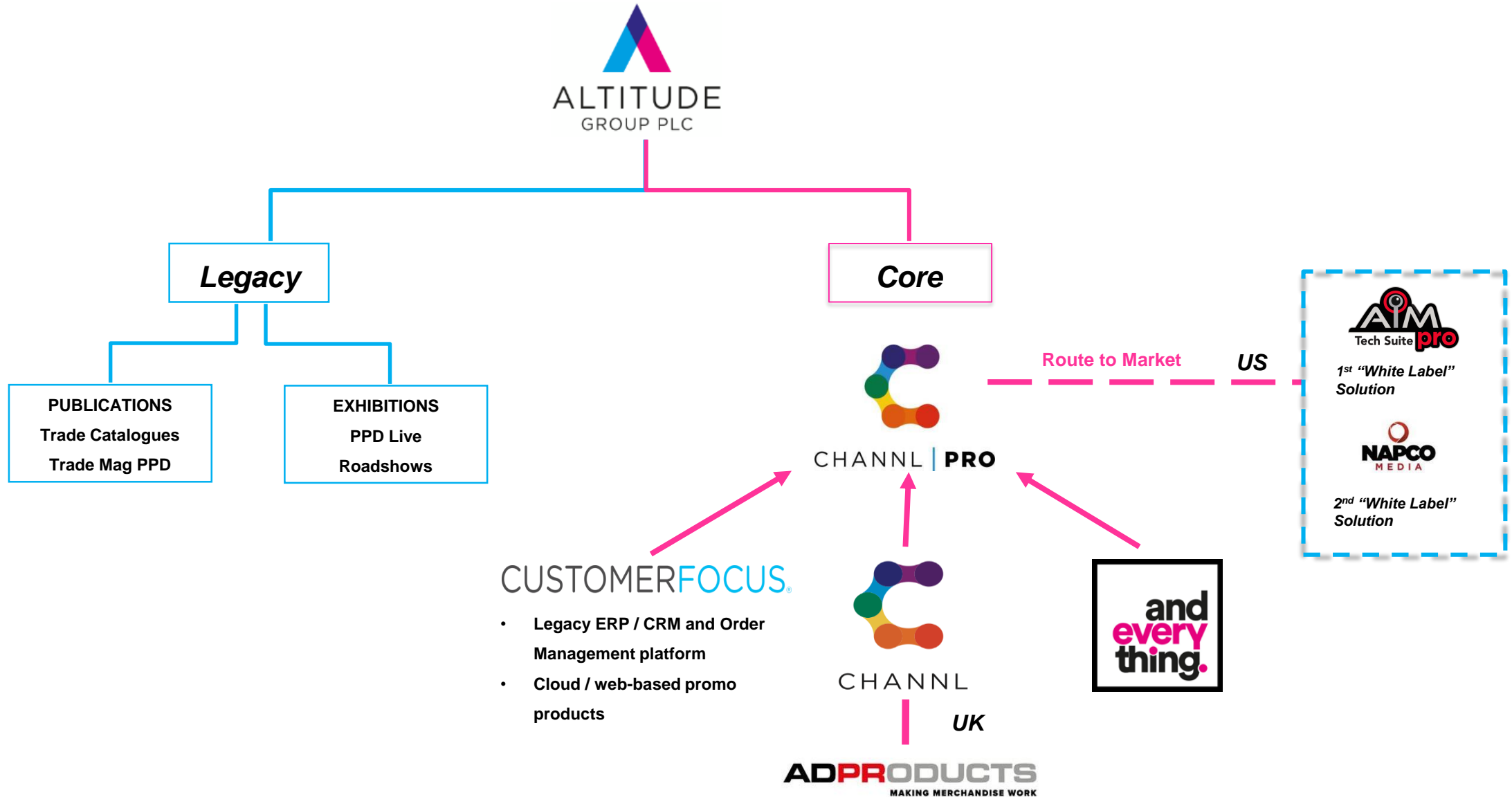
- Previously CFO at Sorted Group, a PE backed business in the delivery technology space
- Senior financial positions at “Payzone” and “We Buy Any Car”
- Qualified as an accountant with PWC



## **Peter Hallett – Non-Executive Chairman**

- Experienced public company director
- Former CFO of Redstone plc (now Castleon Technology plc)
- Previous FD at Texas Homecare and First Quench

# Current Group Structure







## “White Label” solution for distributor and supplier platforms

- **ChannlPro** combines Channl’s e-commerce trading solutions with Altitude’s existing CRM and order management system, to allow both online and offline transactions to execute through Channl
- The **ChannlPro** solution is **tailored** for each **specific user**: The **End Customer, Distributor** and **Supplier**



- **ChannlPro** solution provided to distributors for free
- Altitude derives revenue from all suppliers – average blended rate of c.3% on offline orders and c.8.5% on online orders
- Migration from offline to online will have a material impact on Altitude’s GTR
- On-boarding of suppliers and distributors to each **ChannlPro** platform will drive transaction volumes and therefore Altitude’s GTR
- **Speed and facilitation of on-boarding members to ChannlPro is a key factor in growing Altitude’s GTR**



- We believe we have a good head start on our competitors with regard to our proprietary technology
- **Artworktool** design application protected by extended US patent
- Requirement for a multimillion dollar investment and time constraints significant barrier to entry, makes **ChannlPro** more attractive

	4Imprint	Vistaprint Corporate	MOO 10+	Channl
Online Customisation	X	✓	✓	✓
Custom Store Offering	X	✓	✓	✓
No Artwork Needed	X	X	X	✓
Automated Reseller Set Up	X	X	X	✓
Automated End Customer Set Up	X	X	X	✓
Ability to Create 10,000 + site/day	X	X	X	✓



CHANNL | PRO



# Gross Transactional Revenue "GTR"



## GTR fee potential from \$1.3bn of throughput revenue

### Offline Orders

Contractual commission from suppliers

*as a % of End User retail value*

**Up to 6%**

*Up to 3.9%*

### Online Orders

Expected contractual commission from suppliers

*as a % of End User retail value*

**Up to 15%**

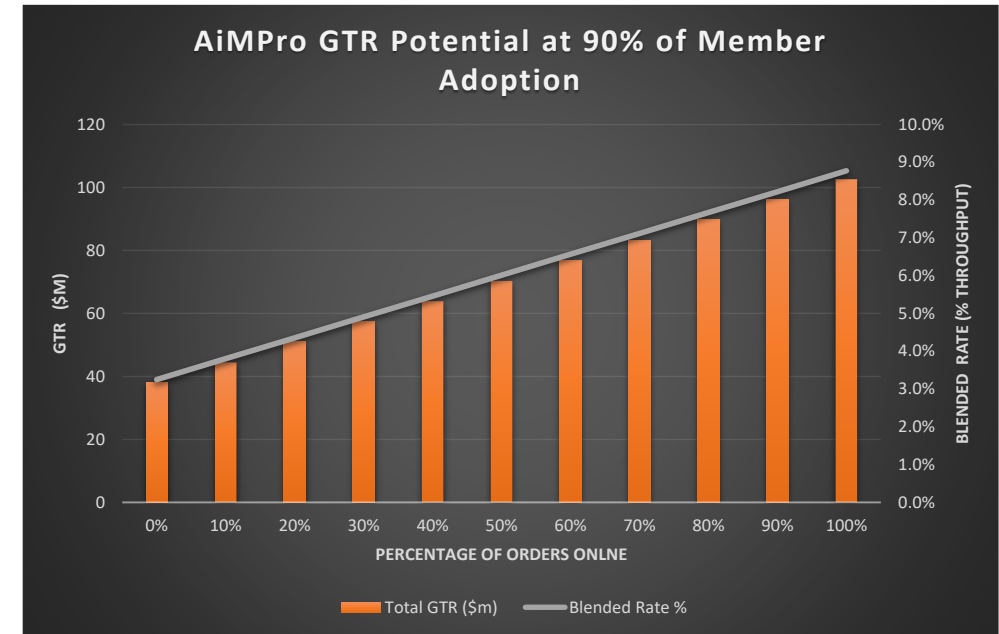
*Up to 9.75%*

### andeverything.com Orders

Contractual commission from distributors

*as a % of End User retail value*

**Up to 12%\***



## GTR Potential - 90% of members @ average fees

**100% OFF line**  
**\$38m**



**100% ON line**  
**\$103m**



# Illustrative CAC/LTV per AiM Member



• <b>Customer Acquisition Cost (“CAC”)</b>	<b>\$3,100</b>
Including cost of prospecting and on-boarding	+
• <b>Cost to Serve (“CTS”)</b>	<b>\$5,700*</b>
<b>Total Cost of Acquisition</b>	<b>\$8,800</b>
• <b>Lifetime Value (“LTV”)</b>	<b>\$44,000**</b>
• <b>CAC / LTV</b>	<b>5.0 X</b>

\* Costs to service AiM member over 3 year estimated lifetime

\*\* 3 year AiM member lifetime assumption based on experience re Altitude legacy applications