

# INVESTOR FACTSHEET 2016



Creatively Independent

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[www.quartoknows.com](http://www.quartoknows.com)

## OVERVIEW

The Quarto Group (LSE: QRT) is the leading global illustrated book publisher and distribution group. Its mission is to make and sell great books that entertain, educate and enrich the lives of adults and children around the world. Quarto sells books across 47 countries and in 39 languages through a variety of traditional and non-traditional channels, while constantly looking for new ways to create and deliver content that people need.

Quarto employs over 400 talented people in the US, UK, Hong Kong, Australia and New Zealand. The Group was founded in London in 1976. It is domiciled in the US and listed on the London Stock Exchange.

At the heart of the business is a belief in creative independence that enables Quarto to produce books of an enduring nature that stand the test of time. This results in more than 50% of the Group's annual turnover being derived from a backlist of over 9,000 titles; providing a high quality revenue stream enabling Quarto to constantly invest in the highest quality of new books. Quarto therefore invests in intellectual property in a manner that no other publisher does.

## STRATEGY

Quarto's strategy is to grow revenue and margins by leveraging its scale and reach as the leading global illustrated book publisher and distribution group to build a business with sustainable growth in EPS and dividend while reducing its net debt.

## KPIs

### Revenue growth

Focus is on organic growth for each imprint. Quarto also searches for earnings accretive lists, imprints or businesses that can enhance the marketing and sales efforts of existing businesses.

**2015 Revenue +6%**

### Operating margin

Quarto leverages its illustrated publishing focus to buy print and freight effectively, as well as being relentless in identifying other supply chain efficiencies.

**2015 Publishing Operating Margin 12.8%**

### Intellectual property

Quarto is committed to investing in long-lasting IP. In pursuing the very best photography, artwork, design and writing, Quarto aims to safeguard the future revenue streams of the business.

### Group value add

Each of Quarto's imprints and businesses is creatively independent while receiving support, scale and reach through the Group's global operations, sales & marketing platform.

### Distribution development

Quarto develops direct physical distribution relationships and partnerships and is committed to selling its books wherever, however and in multiple markets, languages and formats.

### Debt reduction and dividend increases

Focus on reducing debt and increasing dividends to enhance shareholder value.

**Debt -27% since 2012.  
Dividend +6% in 2015.**

## INVESTMENT CASE

- Resilient global book market, especially in illustrated books
- Market, channel and customer diversity
- Co-edition model is lower risk with higher revenue visibility
- International publishing platform is both flexible and scalable
- Substantial IP with a back catalogue of over 9,000 titles and an annual investment of \$35m – in line with three-year amortisation policy
- Not dependent on immediate best-sellers – more than 50% of annual sales p.a. from back catalogue
- Increasing exposure to Children's books, one of the faster growing areas in publishing
- Solid expertise and performance in foreign language rights
- Organic growth supplemented by acquisitive growth
- Management committed to steady reduction of debt and dividend growth, supported by strong cash flow

## STOCK DATA (AS OF 30.09.16)

Market Capitalisation:	£57.4m
Shares Outstanding:	20.44m
Symbol:	QRT

## 2016 FINANCIAL CALENDAR

28 Jan	Trading update
17 March	Y/E results to 31 December 15
24 May	AGM
9 Aug	Interim results to 30 June 2016
13 Oct	Capital Markets Day
3 Nov	Trading update

## SUBSTANTIAL SHAREHOLDINGS (AS OF 30.09.16)

L F Orbach	14.35%
Liontrust Asset Management	12.82%
Herald Investment Trust	8.86%
Henderson Global Investors	5.68%
Unicorn Asset Management	5.29%
River & Mercantile Asset Management	4.91%
Gresham House Asset Management	4.40%
AXA Investment Managers UK	4.28%
Cavendish Asset Management	3.97%
Lazard Freres	3.91%
JP Morgan Asset Management	3.77%

## ADVISORS

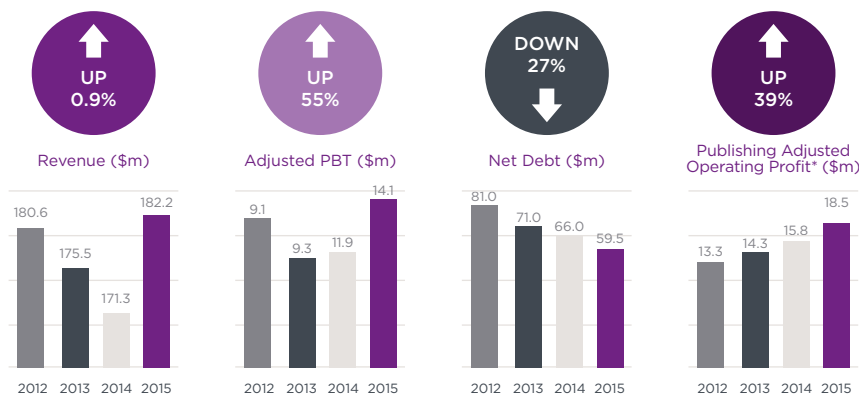
Corporate Stockbroker:  
Stockdale Securities Ltd

Principal Bankers:  
Bank of America/ Fifth Third Bank/  
SantanderUK/RBS

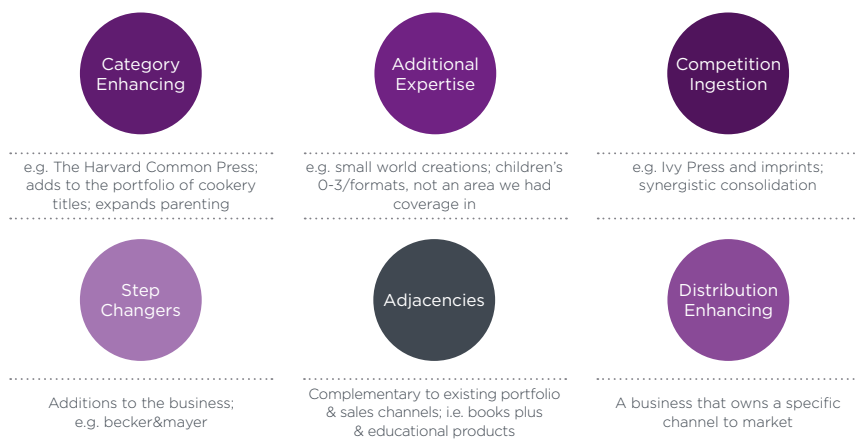
Legal Advisors:  
Olswang LLP

Auditors:  
Deloitte LLP

## FOUR YEAR SNAPSHOT



## ACQUISITION GROWTH



## SUMMARY OF KEY EVENTS

- 1976:** Quarto founded
- 1986:** Listing on the London Stock Exchange
- 2012:** Marcus Leaver becomes CEO in December
- 2014:** Publishing divisions rebranded; Creation of Books & Gifts Direct Partnership with Grupo Nobel in Brazil
- 2015:** New 4-year \$95m multicurrency revolving banking facility agreed  
Acquisition of Ivy Press for £1.5m  
Launched QuartoKnows.com, a new consumer-facing site promoting all the publishing programme  
Harwood Capital and Wellcome Trust stakes placed with institutions
- 2016:** Acquisitions of Harvard Common Press and becker&mayer  
Partnership with Sharjah-based Kalimat Group for Arab language books

## FINANCIAL HIGHLIGHTS

	2015	2014*	2013*	2012*	2011*
<b>Results (\$000)</b>					
Revenue	182,165	171,339	175,481	180,632	185,937
Operating profit before amortisation of acquired intangibles and exceptional items	17,206	15,919	14,565	14,986	14,594
Operating profit	16,037	15,982	10,726	12,962	12,570
Profit before tax, amortisation of acquired intangible assets and exceptional items	14,108	11,942	9,294	9,034	10,844
Profit before tax	12,939	12,005	5,455	7,010	9,315
Profit after tax	9,254	9,083	3,761	5,124	7,681
<b>Assets employed (\$000)</b>					
Non-current assets	104,433	102,416	102,364	106,537	105,452
Current assets	108,369	99,701	97,907	106,157	117,482
Current liabilities	(70,635)	(144,918)	(70,485)	(67,002)	(137,898)
Non-current liabilities	(87,127)	(6,464)	(83,776)	(98,019)	(41,608)
Net assets	<b>55,040</b>	<b>50,735</b>	<b>46,010</b>	<b>47,673</b>	<b>43,428</b>
<b>Financed by (\$000)</b>					
Equity	49,881	45,794	41,201	40,726	36,741
Non-controlling interests	5,159	4,941	4,809	6,947	6,687
	<b>55,040</b>	<b>50,735</b>	<b>46,010</b>	<b>47,673</b>	<b>43,428</b>
<b>Earnings Per Share (cents)</b>					
Basic	45.0	44.5	17.0	23.9	36.8
Diluted	44.9	44.5	17.0	23.9	36.8
Adjusted basic	49.9	44.1	36.1	41.6	43.6
Adjusted diluted	49.8	44.1	36.1	41.6	43.6
<b>Net Debt (\$m)</b>					
	50.7	66.1	70.2	81.0	81.4
<b>Dividend Per Share**</b>					
	14.5c	8.3p	7.9p	7.9p	7.9p
<b>Dividend Cover (x)</b>					
	3.4	3.6	1.7	2.2	3.1

\* Restated for prior year adjustments

\*\* Dividend declared in pence per share up to 2014 and in cents per share from 2015

## TREASURY AND ACCOUNTING POLICIES

The Group's financial statements are presented in US Dollars.

**Exchange Rates:** The Group is exposed to movements in foreign exchange rates (principally US\$) against Sterling for transactions and the translation of net assets and income statements of overseas operations. The Group uses currency swaps to mitigate £/\$ fluctuations.

**Borrowings:** These are in £, \$ and € to hedge the movement in net assets in those countries.

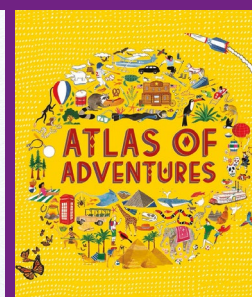
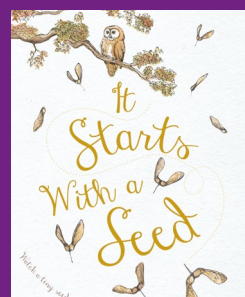
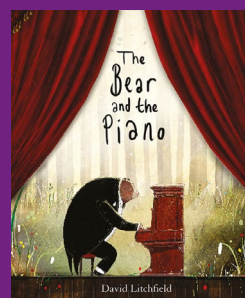
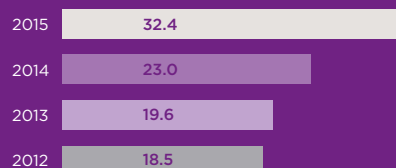
**Taxation:** Quarto is incorporated in Delaware (US) and is tax resident in the US.

**Accounting Policies:** The Group's detailed accounting policies are set out on pages 75-82 of the 2015 Annual Report.

## KEY INITIATIVE

Quarto's children's publishing revenues have grown by over 75% from 2012 and were 22% of publishing revenues at the end of 2015. It is a key area of organic growth and expansion.

### Children's Publishing Revenues (\$m)



## MANAGEMENT



**Peter Read** is Chairman and is currently a non-executive director of EVR Holdings, Concha Plc, Quayle Munro Holdings, the Professional Cricketer's Association, and the Royal Automobile Club.

He was formerly chairman of KPMG's Telecoms, Media and Technology practice and a partner for over 20 years.



**Marcus Leaver** has been Chief Executive Officer since December 2012, having joined the board of Quarto as Chief Operating Officer in May 2012. Prior to Quarto, he worked in the USA from 2005, latterly as

President of Sterling Publishing, a subsidiary of Barnes & Noble, the leading bricks-and-mortar bookseller in the US. Before that, he worked in London for Chrysalis Group PLC, a LSE-listed media company, latterly as CEO of Chrysalis Books Group, from 2002.



**Michael Connole** joined Quarto as Chief Financial Officer on 1 September 2015. He has considerable experience in media, being CFO of Global Radio, the UK's largest commercial radio group from

June 2008 to August 2015, and prior to that he was Group Finance Director at Chrysalis Group PLC, where we worked from 1997 to 2008. He qualified as a chartered accountant in 1988.