4imprint Group plc

Full Year Results 2023

Highlights

Kevin Lyons-Tarr, CEO

Results Summary

Revenue

$1.33bn

↑ 16%

Operating profit

$136.2m

↑ 32%

Basic EPS

377.9c

↑ 32%

Cash and bank deposits

$104.5m

2022: $86.8m

Total paid and proposed regular DPS

215.0c

2022: 160.0c

Financial Review

David Seekings, CFO

Income Statement

	2023 $m	2022 $m	
Revenue	**1,326.5**	1,140.3	**16%**
Gross profit	**401.9**	321.9	**25%**
Gross profit margin	***30.3%***	*28.2%*	
Marketing costs	**(159.9)**	(128.7)	**24%**
Selling costs	**(47.2)**	(38.6)	**22%**
Admin & central costs	**(56.8)**	(50.4)	**13%**
Share option related charges	**(1.1)**	(0.8)	**38%**
DB pension admin costs	**(0.7)**	(0.5)	**40%**
Operating profit	**136.2**	102.9	**32%**
Operating margin	***10.3%***	*9.0%*	
Interest	**4.3**	0.7	
Pension finance income	**0.2**	0.1	
Profit before tax	**140.7**	103.7	**36%**
Tax	**(34.5)**	(23.6)	
Profit after tax	**106.2**	80.1	**33%**
Basic EPS	**377.9c**	285.6c	**32%**

- Revenue +16%
  - H1 +23%; H2 +11%
  - US $1,302.6m; UK $23.9m
- Gross profit +25%
  - Significant improvement in YOY GP%
  - Recovery from pandemic-related factors
- Marketing costs +24%
  - Marketing spend remains productive
  - Revenue per marketing dollar $8.30 (2022: $8.86; 2019: $5.58)
  - Brand component the key driver
- Selling costs +22%
  - Year of investment, mostly in customer service resource, in 2023
- Admin/other overheads +13%
  - Key senior additions to the team to support growth
  - DB pension admin includes buy-in costs
  - Head Office costs $5.0m (2022: $5.0m)
- Operating profit +32%
  - Operating margin rises above 10%
  - Reflects improved gross margin dynamics and marketing productivity
- Net finance income
  - YOY increase of $3.7m
  - Improving yields and large cash balances
- Effective tax rate 25% (2022: 23%)

Balance Sheet

	2023 $m	2022 $m
Fixed assets	**35.2**	30.2
Right-of-use assets	**11.4**	13.1
Goodwill	**1.0**	1.0
Deferred tax assets	**3.8**	2.4
Retirement benefit asset	**-**	1.2
	51.4	47.9
Inventories	**13.6**	18.1
Receivables	**68.4**	87.5
Payables	**(89.9)**	(84.8)
	(7.9)	20.8
Current tax	**0.4**	(1.2)
Deferred tax liabilities	**(1.6)**	(0.4)
Cash and bank deposits	**104.5**	86.8
Lease liabilities	**(12.3)**	(13.7)
	91.0	71.5
Net assets	**134.5**	140.2

- Fixed asset additions include:
  - Screen printing and embroidery machinery
  - Initial phase of DC expansion ($3.8m)
- Working capital net negative $7.9m
  - Significant improvement in supply chain conditions
  - Unwinding of elevated working capital position at December 2022
  - More typical working capital profile expected going forward
- Pension (retirement benefit asset)
  - Buy-in completed in June 2023
  - Substantially all remaining pension benefits insured
  - Eliminates inflation, interest rate and longevity risks
  - Plan assets ($17.5m) and company ‘top-up’ (£3.2m or $4.1m) used to pay the buy-in policy premium
- Financial strength
  - Cash and bank deposits $104.5m; no debt
  - Use of cash under regular review in accordance with capital allocation framework and balance sheet funding guidelines

Cash Flow

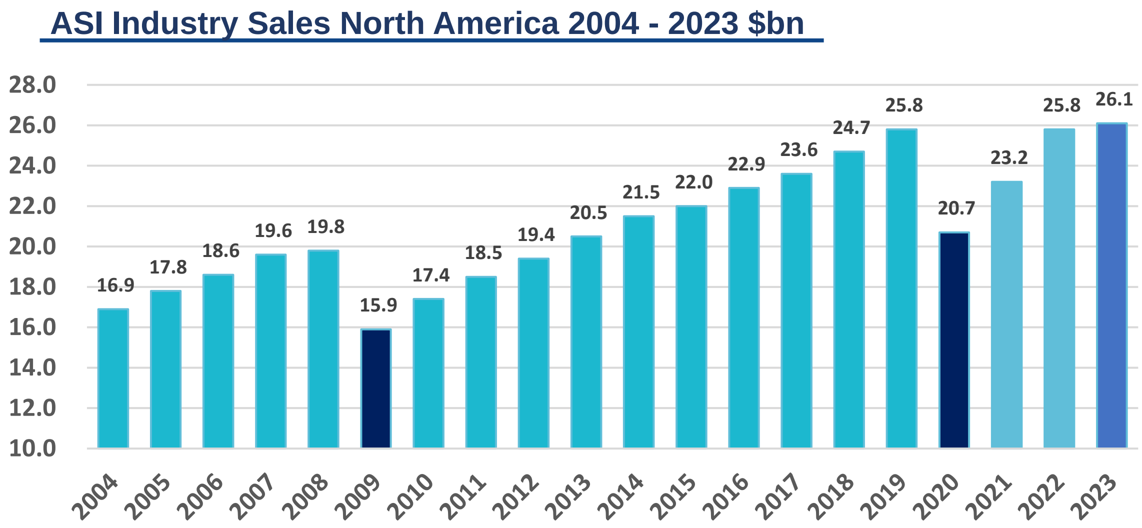
	2023 **$m**	2022 $m
At start of period	**86.8**	41.6
Operating profit	**136.2**	102.9
Share option non-cash charges	**1.1**	0.8
Pension admin costs paid by Plan	**0.5**	0.5
Depreciation and amortisation	**4.7**	4.0
Amortisation of right-of-use assets	**1.7**	1.5
Change in working capital	**29.2**	(8.5)
Capital expenditure	**(9.7)**	(8.0)
Underlying operating cash flow	**163.7**	93.2
Contributions to defined benefit pension	**(6.5)**	(4.3)
Consideration for business combination	**-**	(1.7)
Tax	**(33.8)**	(20.8)
Interest	**3.9**	0.7
Own share transactions	**1.4**	(0.9)
Capital element of lease payments	**(1.4)**	(1.2)
Exchange and other	**1.2**	(1.1)
Free cash flow	**128.5**	63.9
Dividends to Shareholders	**(110.8)**	(18.7)
Net cash inflow in the period	**17.7**	45.2
At end of period	**104.5**	86.8

- Excellent operating cash generation through the year
  - Strong trading and operating profit
  - Supply chain pressures in 2022 fully addressed
  - Unwinding of elevated 2022 working capital balances leading to cash inflow in 2023 of $37.7m
  - Cash conversion of 120%
- Pension
  - Company contributions of $6.5m paid in 2023, including ‘top-up’ contribution of $4.1m
  - Deficit contributions ceased in H2 after buy-in transaction
- Tax payments rising in line with profitability
- Net interest income reflects healthy cash balances throughout the year and improving interest rates on deposits
- $110.8m paid in dividends to Shareholders
  - Interim and Final regular dividends increasing in line with capital allocation guidelines
  - Special dividend of $2.00 per share paid in H1 2023

Operational Review

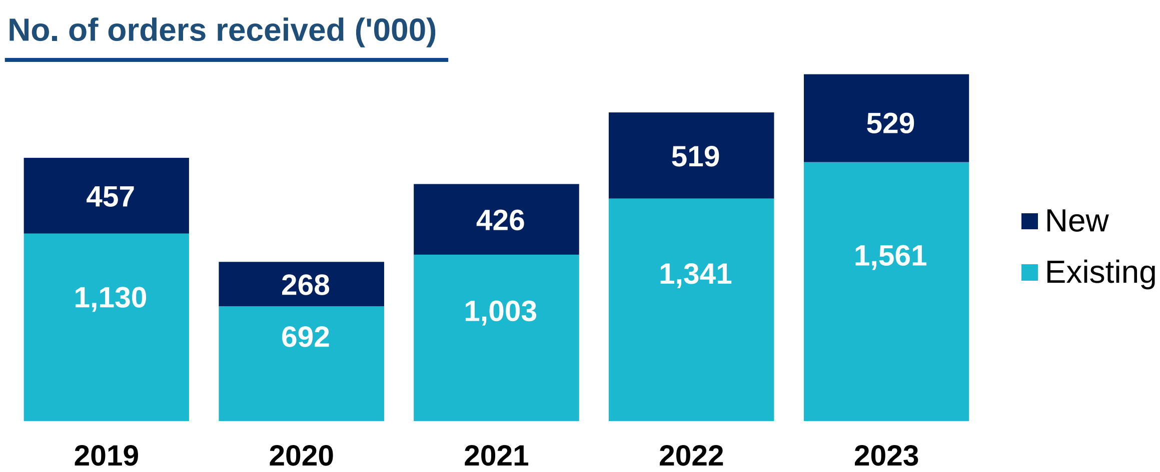
Kevin Lyons-Tarr, CEO

Market



Source: ASI

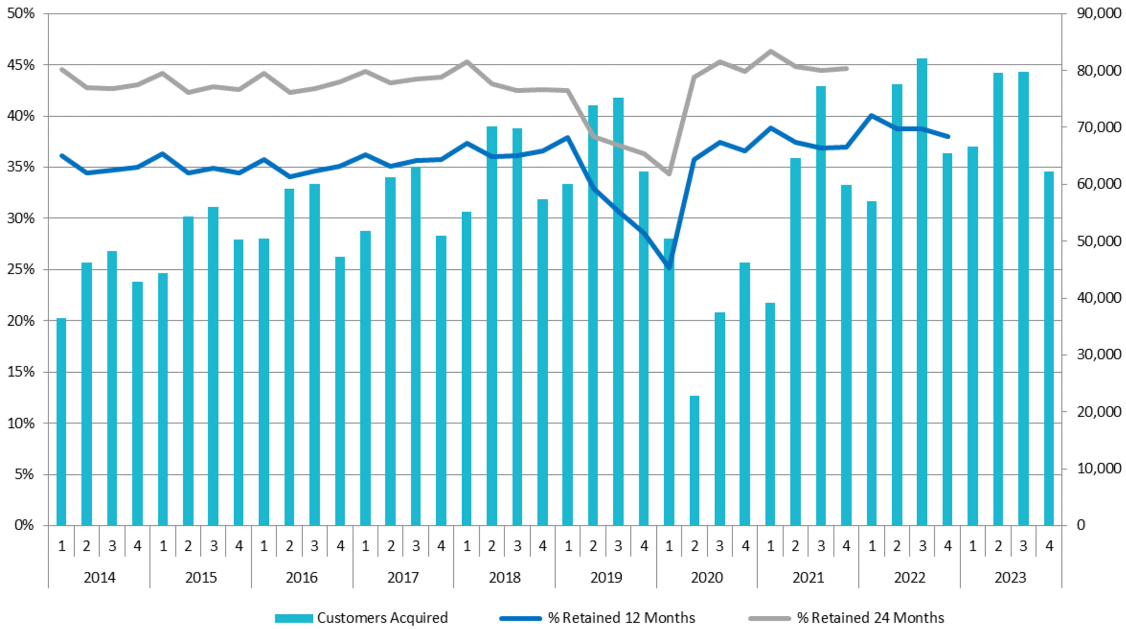
- After two exceptional years fuelled by the strong post-pandemic recovery, annual industry growth in 2023 of 1.2% (~$310m) was the lowest in more than a decade (with the exception of 2020), an indication of industry 'normalisation' combined with a more cautious macroeconomic environment
- Despite very strong 2022 comparatives and softer industry growth in H2, market share gains continued to be made
- 4imprint's share of total market 5.0% vs. 4.3% in 2022 and 3.3% in 2019



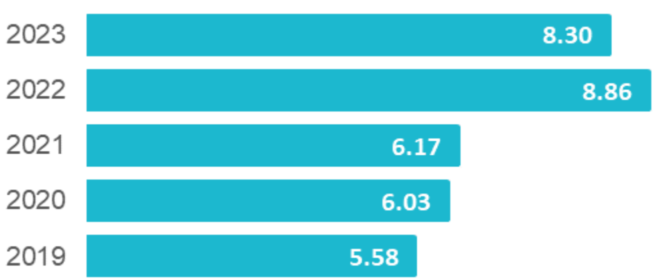
- More than 2 million orders received for the first time in company history, 12% above 2022
- 529,000 new customer orders were received in 2023, 2% over 2022
- 311,000 new customers acquired, 1% over 2022
- Existing customer orders up 16% over 2022, representing consistent retention performance and quality of customers acquired

Marketing Effectiveness

US and Canada Acquired and Retained %



Revenue/Marketing $



- Total marketing spend +24% at $159.9m (2022: $128.7m) inclusive of planned marketing testing in H2
- Revenue per marketing dollar KPI slightly below 2022 but still well above pre-pandemic levels and includes cost of planned testing in H2, geared towards future planning rather than near-term gain
- Reshaping of marketing mix continued with brand element more than 35% of the total marketing spend
- Recent brand awareness metrics very encouraging
  - Unaided above 15% for the first time
  - Aided greater than 50% for the first time
- New customer acquisition softened in H2 due to challenging prior year comparative and slowing industry growth
- Retention rates remained strong and consistent

Operational Update

Supply chain

- Supply chain challenges of 2022 fully resolved over the back half of 2023, allowing for customer service and order processing efficiency to return to normal. This, combined with work done to build appropriate resource levels led to improved customer satisfaction, reduced claims, lower logistics costs and faster cash conversion.

Team

- Resource related to order volume fully resolved after challenging end of 2022.

- As planned, additional investment continues to be made to add necessary talent to support the continued growth of a significantly larger business. Hires in sustainability, merchandising, internal audit and more made over the course of the year.

Increased apparel decorating capacity

- Successful first year at new screen print site. Second shift added to prepare for the busy Spring season.

- Facility now operating at approximately 2x the pre-acquisition capacity and growing.

Operational Update (cont'd)

Increased apparel decorating capacity (cont'd)

- $20m DC expansion project announced in H2 last year well underway and on schedule for Q3 completion.
- Brings total footprint to 450,000sq.ft. from current 300,000sq.ft.

Operational Update (cont'd)

better choices™

- More than 15,000 Better Choices™ 'tags' have now been applied to items included in the programme, an 83% increase over 2022. Better Choices™ products represented $310m in total revenue in 2023, an increase of 58% over 2022 ($196m).
- Significant progress has been made in transitioning our private label products to more sustainable materials allowing these items to be part of our Better Choices™ programme.
- Aggressive targets have been set for further development of each of our private label brands in 2024.

Outlook

The Group has made significant operational and financial progress in 2023, reflecting a clear strategy and a highly resilient business model.

Trading results in the first two months of 2024 have been in line with both the Board's expectations and consensus forecasts. We are confident that we will continue to take market share.

Appendices

12:48
82 % Charged
4imprint
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2024 Financial Guidance

- 2024 revenue split (approximate): H1 47%; H2 53%
- 2024 capex c.$22.1m; includes remaining $16.2m in respect of DC expansion
- Depreciation charge c. $5.3m (pre-IFRS 16)
- 2024 effective tax rate c. 25% (2023: 25%)
- Share-based payment (IFRS 2) charge $1.4m in 2024
- Average shares in issue FY 2024 c. 28.2m; fully diluted c. 28.2m
- DB pension plan 2024:
  - All remaining pension benefits insured under buy-in transaction in 2023
  - Minimal DB pension admin costs in 2024
  - No future deficit reduction contributions
- Proposed dividends:
  - 2023 final dividend 150c per share
  - Payable June 2024, cash cost $42.2m
- IFRS 16 (current lease arrangements)
  - Balance sheet (December 2024)
    - Right-of-use assets: $9.9m
    - Lease liability: $11.0m
  - Income statement (FY 2024)
    - Amortisation: $1.6m
    - Interest: $0.4m

Results Summary