



Full Year Results 2016



2016 Full Year Results

Highlights

Kevin Lyons-Tarr, CEO



Highlights

Group revenue

\$558.22m

↑ 12% (reported)

↑ 13% (like-for-like)

Underlying* profit before tax

\$38.35m

↑ 14%

Underlying* basic EPS

99.01c

↑ 12%

Proposed total dividend

52.50c

↑ 35% (\$)

↑ 57% (£)

Net cash

\$21.68m

Pension de-risking

Buy-out completed

One-off contribution £10m
(\$14.5m)

2016 Full Year Results

Financial Review

David Seekings, CFO



Group Income Statement (Underlying)

	2016	2015	Change
	\$'000	\$'000	%
Revenue	558,223	497,219	12%
Gross profit	184,095	162,598	13%
<i>Gross profit %</i>	33.0%	32.7%	
Marketing costs	(96,703)	(83,996)	15%
Selling costs	(23,166)	(21,188)	9%
Admin & central costs	(25,849)	(23,895)	8%
Underlying operating profit	38,377	33,519	14%
<i>Operating margin</i>	6.87%	6.74%	
Net finance (expense)/income	(24)	30	
Underlying profit before tax	38,353	33,549	14%
Underlying EPS	99.01c	88.04c	12%

- Revenue up 12%
 - US \$540.6m, UK \$17.6m
 - 52 week accounting period vs 53 week 2015
- Gross profit % stable
- 15% increase in marketing spend driving growth
- Admin & central costs includes UK Head Office cost of \$3.9m (2015: \$3.5m)
- Operating margin % remains within target bandwidth

Group Income Statement (non-operating)

	2016	2015
	\$'000	\$'000
Underlying profit before tax	38,353	33,549
Share option related charges	(430)	(304)
Exceptional items	(2,940)	(858)
Defined benefit pension admin costs	(311)	(394)
Pension finance charges	(521)	(836)
Profit before tax	34,151	31,157
Tax	(9,672)	(8,462)
Profit after tax	24,479	22,695
Basic EPS	87.27c	81.26c

- Share option charges are in respect of Exec 2015 Incentive Plan and 2016 US & UK SAYE schemes
- Exceptional charges relate to DB pension scheme buy-out
- DB pension admin costs paid by the Scheme
- Effective tax rate 28% (2015: 27%)
- Underlying effective tax rate 28% (2015: 27%)

Cash Flow

	2016	2015
	\$'000	\$'000
At start of period	18,381	18,301
Underlying operating profit	38,377	33,519
Depreciation and amortisation	2,389	1,878
Change in working capital	5,947	(4,463)
Capital expenditure	(3,267)	(10,912)
Operating cash flow	43,446	20,022
Contributions to defined benefit pension	(17,354)	(825)
Tax and interest	(9,446)	(8,700)
Own share transactions	65	-
Exceptional items	(172)	(310)
Social security on share option exercises	(72)	-
Exchange and other	(1,024)	(503)
Free cash flow	15,443	9,684
Dividends to Shareholders	(12,141)	(9,604)
Net cash inflow in the period	3,302	80
At end of period	21,683	18,381

- 2016 working capital position normalised, 2015 untypical due to 53rd week
- \$9m capex investment in Oshkosh facilities during 2015
- Contributions to pension scheme includes a one-off payment of \$14.5m
- Exceptional items relate to the Company costs of the DB pension scheme buy-out
- Dividend cover 1.89x

Balance Sheet

	2016	2015
	\$'000	\$'000
Fixed assets	20,020	19,365
Deferred tax asset	5,030	4,388
	25,050	23,753
Inventories	4,179	4,460
Receivables	39,800	43,194
Payables	(40,363)	(37,254)
	3,616	10,400
Other liabilities	(1,734)	(968)
Net cash	21,683	18,381
Pension deficit	(19,290)	(23,114)
	659	(5,701)
Net assets	29,325	28,452

- Net assets \$29.32m, increase of \$0.87m
- Working capital profile back to normal at end of 2016
- Net cash \$21.68m, after one-off \$14.45m pension contribution
- Pension deficit reduced after buy-out
- ROCE 82% (2015: 82%)

Pension Deficit

	2016	2015
	\$'000	\$'000
Liability	(34,357)	(139,248)
Assets	15,067	116,134
Deficit	(19,290)	(23,114)
Deferred Tax	3,453	4,391
Net deficit at period end	(15,837)	(18,723)
The change in deficit is analysed as follows:		
IAS 19 deficit at start of period	23,114	24,015
Pension administration costs	311	394
Exceptional items	2,772	610
Pension finance costs	521	836
Actuarial loss/(gain)	12,938	(765)
Contributions from employer	(17,353)	(825)
Exchange gain	(3,013)	(1,151)
IAS 19 deficit at end of period	19,290	23,114
Discount rate	2.68%	3.52%
Inflation rate (RPI)	3.30%	2.76%

- 420 remaining members (2015: 1,620 members)
- \$94.8m gross liabilities and corresponding insured asset removed from balance sheet
- Buy-in to buy-out project completed in 2016
- \$14.5m (£10m) one-off deficit reduction contribution
- Old scheme to be wound up; new plan in place for remaining members
- Adverse actuarial movement; inflation rate now higher than discount rate
- New schedule of recovery contributions to be negotiated with Trustee

2017 Financial Guidance

- Financial strategy remains to prioritise organic revenue growth whilst maintaining a broadly stable operating margin percentage
- Directly comparable accounting periods 2017 v 2016
- 2017 capex c.\$3.2m; depreciation charge c.\$2.7m
- 2017 tax rate c.30% (2016: 28%); underlying c.30% (2016: 28%)
- Share-based payment (IFRS2) charge \$0.6m in 2017
- Average shares in issue FY 2017 c.28.03m; fully diluted c.28.13m
- DB pension scheme 2017:
 - Exceptional charge much lower, c.\$0.3m
 - Admin charges in P&L c.\$0.3m
 - Contributions c.\$3.0m (all cash)
- 2016 proposed final dividend cash cost \$10.15m; due May 2017

2016 Full Year Results

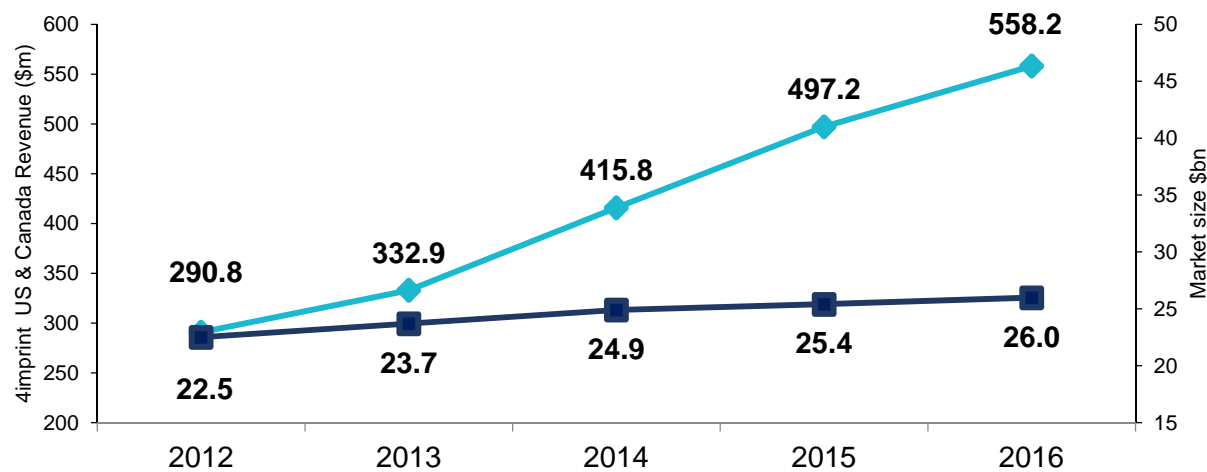
Operational Review

Kevin Lyons-Tarr, CEO

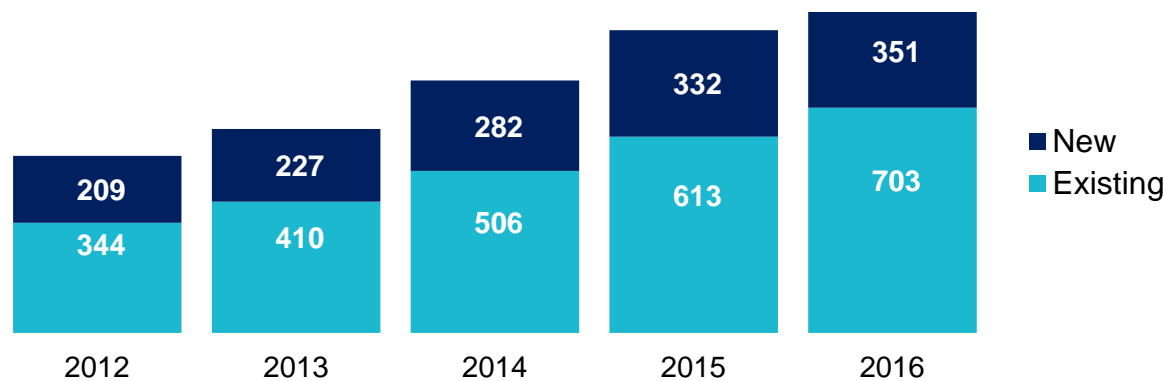


Market Beating Growth

Growth History - 4imprint v Market



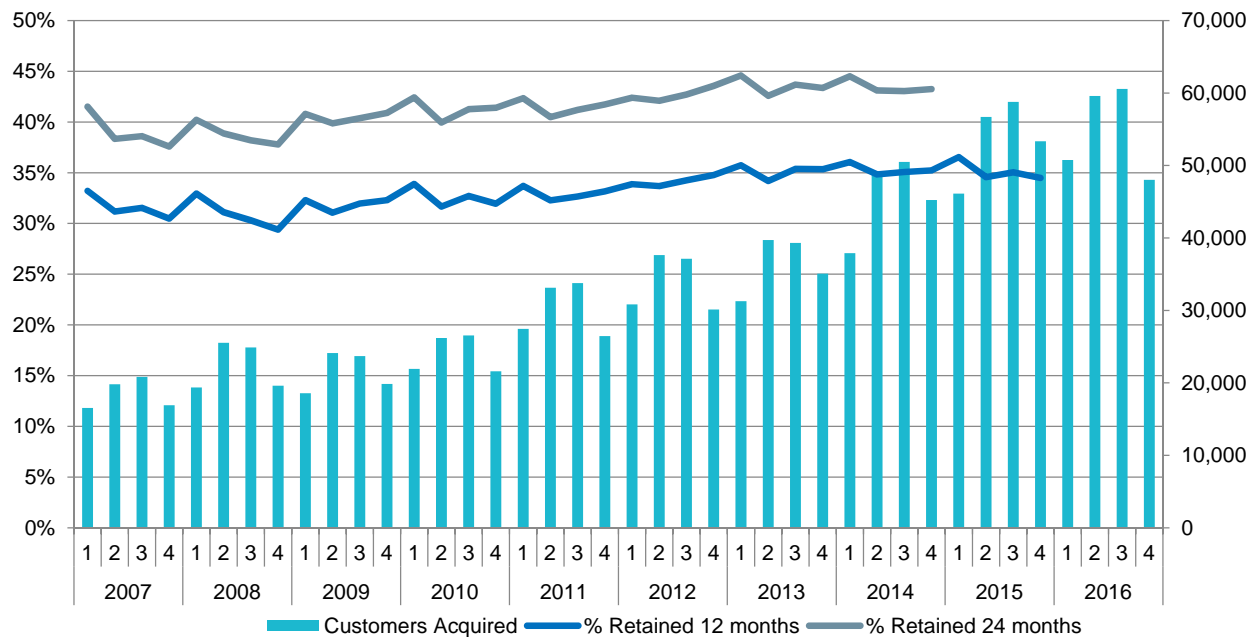
No. of orders received ('000)



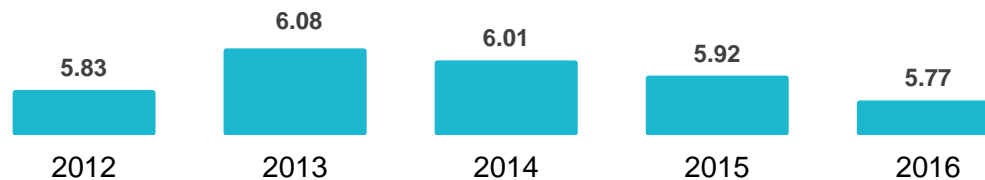
- Continued strong organic growth despite periods of political uncertainty
- North America revenue \$541m, +13%
- Industry +2-3% (US)
- UK revenue £13m, +11% in constant currency
- 1,054k total orders received, +12%
- New customer orders +6%; more than 240k new customers acquired
- Existing customer orders +15%

Marketing Effectiveness

US and Canada Acquired and Retention %



Revenue/Marketing \$



- Total marketing spend +15% at \$96.7m, (2015: \$84.0m)
- Online continues to grow at a faster rate: +36%, although growth rate moderated somewhat; now 40% of total
- Search engine changes created some volatility and corresponding period of adjustment
- Catalogue circulation increase, +7%
- Blue Box™ program expanded: 1.96m pieces in 2016
- Revenue per marketing dollar KPI within acceptable bandwidth; well managed in keeping with overall strategy

Operational Highlights

- More than one million orders processed for the first time; systems, processes continue to scale appropriately
- Apparel now largest category, growth ahead of the overall rate
- More than 2.5 million units embroidered at the distribution center
- Private label Crossland® apparel sales topped \$6m, growing rapidly; other private label initiatives underway
- Additional Blue Box™ automation completed



Data Driven Marketing: 2017 Initiatives



Catalogue:

- Modest increases in many titles, although increases are weighted to H2



Internet:

- PPC and organic search continue to evolve and provide growth potential
- Brand oriented advertising and content marketing layer being developed and integrated over time.



Retention:

- Blue Box™ programme focused on continuous improvement of the models and testing of content effectiveness

Outlook

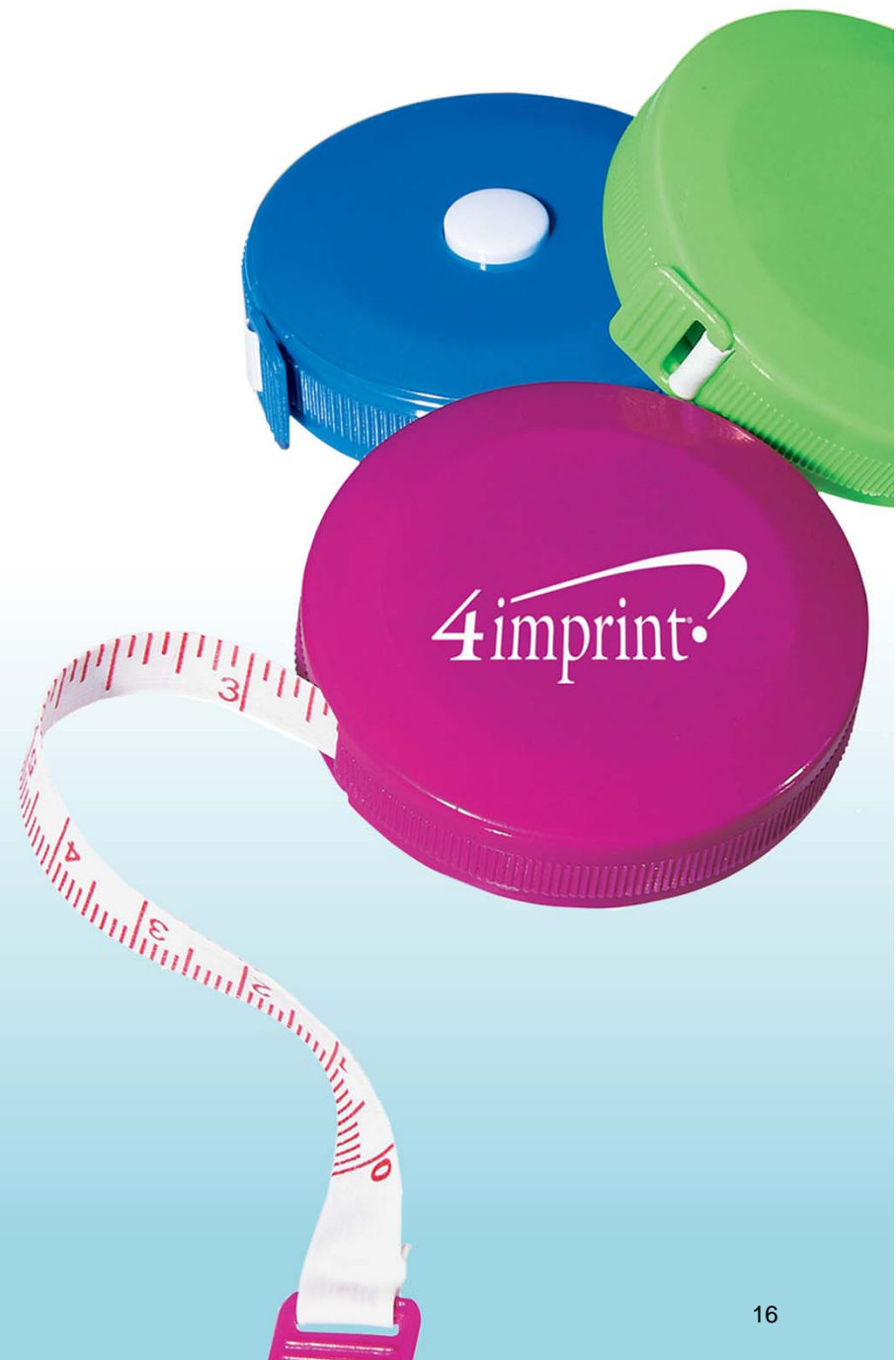
Our business model is resilient and our market opportunity remains large and attractive.

After a period of volatility in the fourth quarter of 2016 caused by uncertainty around the US presidential election, customer order activity normalised in December.

The first few weeks of 2017 have shown a satisfactory start to the year.

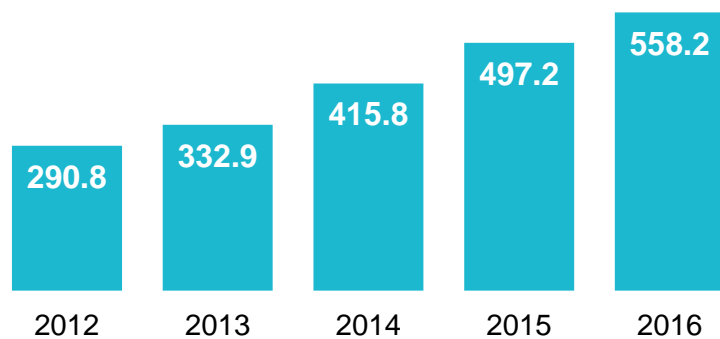


Appendices

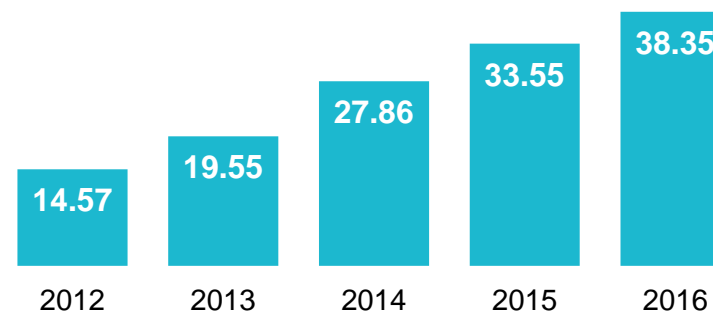


Five Year Results Summary[†]

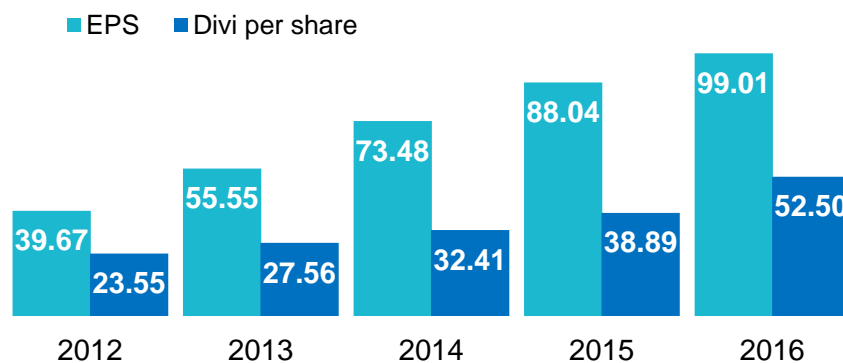
Revenue (\$m)



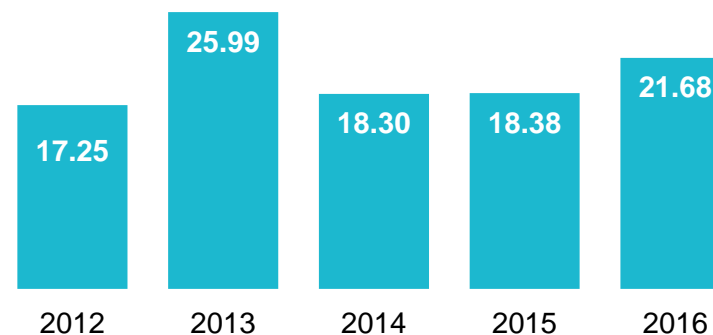
Underlying* profit before tax (\$m)



Underlying* EPS and dividend per share (cents)



Net cash - year end (\$m)



Exchange rate 2016: 1.35 (2015: 1.53)

*Underlying is before share option related charges, defined benefit pension charges and exceptional items

† Continuing operations

Background

4imprint is the leading direct marketer of promotional products in the USA, Canada, the UK and Ireland

97% of revenue is generated in the USA & Canada from its headquarters in Wisconsin, USA

UK & Irish customers are served out of its base in Manchester, England

4imprint's strategy is to maximise organic revenue growth at broadly stable operating margin percentage

The Group reports in US dollars

Business Model

Customer proposition

- Fast, easy and convenient
- Expansive and relevant product range
- Industry-leading customer guarantee

- Online or via telephone
- Free samples and artwork
- Remarkable customer service
- On-time shipment or your order is free
- Lowest prices or double the difference
- Total satisfaction or your money back

'Drop ship' from suppliers

- Unrestricted access to tens of thousands of products
- Efficient deliveries to short lead times
- Minimal investment in inventory

- Supplier holds the stock
- Supplier prints the product
- Order shipped direct to customer
- Merchandisers work closely with suppliers
- Product range continually updated

Application of technology

- Customer-facing, websites & mobile
- Proprietary order processing platform
- Sophisticated database analytics

- Mature, scalable systems
- Efficient order processing
- Supplier integration
- Data-driven marketing
- Innovative web technology

Innovative marketing

- Data-driven heritage and discipline
- Online and offline techniques
- Catalogue, search engine, email, social

- New customer acquisition
- Growing customer file
- Existing customer retention
- Blue Box™

Shareholder List

As at 21/02/2017	No. of shares	%
BlackRock Inc	3,747,558	13.3
Standard Life	3,255,784	11.6
JP Morgan Chase & Co	1,749,995	6.2
Mr. K.J. Minton	1,600,290	5.7
Invesco	1,143,008	4.1
Fidelity Worldwide Investment (FIL)	1,114,905	4.0
Baillie Gifford & Co	963,578	3.4
AXA SA	961,442	3.4
Artemis	947,728	3.4
Miton Group plc	846,361	3.0