



Half Year Results 2018



Highlights

Kevin Lyons-Tarr, CEO



Highlights

Group revenue

\$348.33m

↑ 17%

Underlying*† profit before tax

\$16.30m

+ 1%

Underlying*† basic EPS

46.03c

↑ 13%

Net cash

\$26.51m

Interim dividend

20.80c

↑ 15% (\$)

↑ 15% (£)

Total orders

683,000

↑ 17%

*Underlying is before defined benefit pension charges and exceptional items.

†Underlying has been restated to include share option charges.

Financial Review

David Seekings, CFO



Group Income Statement

	H1 2018	H1 2017		FY 2017
	\$'000	\$'000	%	\$'000
Revenue	348,331	298,911	17%	627,518
Gross profit	112,867	99,071	14%	205,219
<i>Gross profit %</i>	<i>32.40%</i>	<i>33.14%</i>		<i>32.70%</i>
Marketing costs	(68,003)	(56,703)	20%	(110,644)
Selling costs	(13,607)	(12,188)	12%	(24,995)
Admin & central costs	(14,677)	(13,653)	8%	(27,000)
Share option related charges	(317)	(292)		(551)
Underlying operating profit	16,263	16,235	0%	42,029
<i>Operating margin</i>	<i>4.67%</i>	<i>5.43%</i>		<i>6.70%</i>
Interest	36	(37)		(122)
Underlying profit before tax	16,299	16,198	1%	41,907
Exceptional items	-	(102)		(454)
Defined benefit pension admin costs	(151)	(145)		(291)
Pension finance charges	(219)	(254)		(503)
Profit before tax	15,929	15,697	1%	40,659
Tax	(3,345)	(4,709)		(11,734)
Profit after tax	12,584	10,988	15%	28,925
Underlying EPS	46.03c	40.60c	13%	106.74c

- Revenue +17%
 - US \$337m; UK \$11m
 - Momentum from Q4 2017
 - Brand marketing effect in H1 2018
- Gross profit % lower than PY
 - Mix of factors; being addressed
 - Expected to stabilise in H2
- Marketing investment driving growth
 - Investment in new component
 - Proven techniques remain productive
- Operational gearing from selling and admin costs
- Central costs flat vs. PY
- Share option charge now included in underlying; comparatives restated
- Operating profit flat year on year, reflecting marketing investment
- Effective tax rate 21% (H1 2017: 30%); benefit from US tax reform
- Strong EPS growth driven primarily by US tax reform

Cash Flow

	H1 2018 \$'000	H1 2017 \$'000	FY 2017 \$'000
At start of period	30,767	21,683	21,683
Underlying operating profit	16,263	16,235	42,029
Share option non-cash charges	314	288	545
Depreciation and amortisation	1,289	1,256	2,512
Change in working capital	12,221	10,734	(457)
Capital expenditure	(1,171)	(864)	(2,359)
Operating cash flow	28,916	27,649	42,270
Contributions to defined benefit pension	(1,897)	(1,663)	(3,675)
Interest	36	(35)	(122)
Net tax paid	(1,927)	(3,305)	(12,751)
Own share transactions	(1,410)	(734)	(1,359)
Exceptional items	-	-	(57)
Exchange and other	(840)	347	623
Free cash flow	22,878	22,259	24,929
Dividends to Shareholders	(27,136)	(10,679)	(15,845)
Net cash (outflow)/inflow in the period	(4,258)	11,580	9,084
At end of period	26,509	33,263	30,767

- Depreciation and capex profiles remain settled
- Working capital movement in line with expectations
- Cash conversion consistent with prior H1 experience
- DB pension contributions now predictable and manageable
- Lower tax paid due to US tax reform
- Own share transactions is purchase of shares for EBT
- Dividends paid includes supplementary dividend of 60c per share paid in May 2018 (\$16.3m)

Balance Sheet

	H1 2018 \$'000	H1 2017 \$'000	FY 2017 \$'000
Fixed assets	19,820	19,687	19,967
Deferred tax asset	5,599	5,143	5,912
	25,419	24,830	25,879
Inventories	9,603	4,432	5,356
Receivables	40,518	44,619	46,309
Payables	(59,634)	(56,226)	(47,675)
	(9,513)	(7,175)	3,990
Current tax	(375)	(1,107)	472
Deferred tax liability	(777)	(1,640)	(763)
Other liabilities	(135)	(140)	(146)
Net cash	26,509	33,263	30,767
Pension deficit	(16,757)	(19,505)	(18,106)
	8,465	10,871	12,224
Net assets	24,371	28,526	42,093

- Stable fixed capital requirements
- Implementation of IFRS15 causing reclassification between captions in 2018
 - No net cash implication
 - Negative working capital overall as expected
- Pension deficit now stable and reducing
- Net cash \$26.5m, after \$27.1m in final and supplementary dividends paid in May 2018

2018 Financial Guidance

- Directly comparable accounting periods 2018 vs 2017
- IFRS2 'Share-based payments' charge included in underlying operating profit from 2018 onwards; comparatives restated accordingly
- 2018 capex c.\$3.0m; depreciation charge c. \$2.7m
- 2018 effective tax rate c. 21% (2017: 29%)
- Share-based payment (IFRS 2) charge \$0.7m in 2018
- Average shares in issue FY 2018 c. 28.01m; fully diluted c. 28.08m
- DB pension plan 2018:
 - No exceptional charge
 - Admin charge in P&L c. \$0.3m
 - Contributions c.\$3.7m
- 2018 interim dividend cash cost \$5.8m; paid September 2018

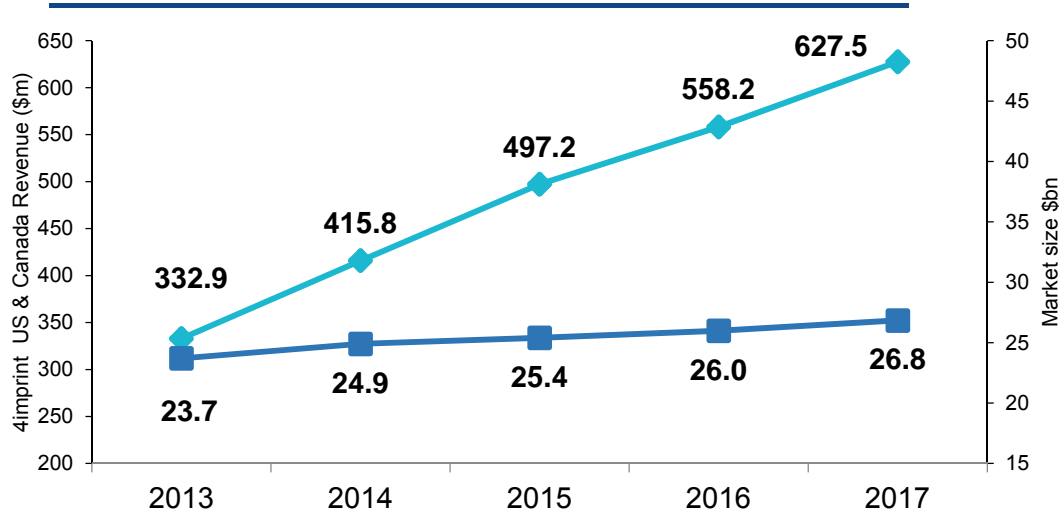
Operational Review

Kevin Lyons-Tarr, CEO

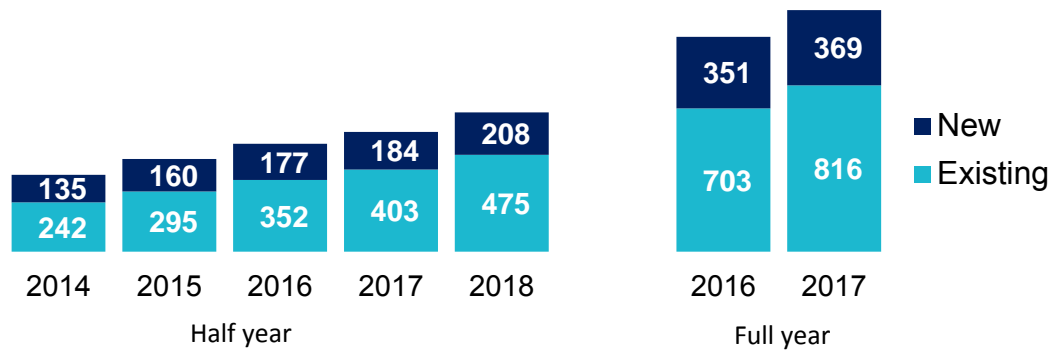


Market Beating Growth

Growth History - 4imprint v Market



No. of orders received ('000)

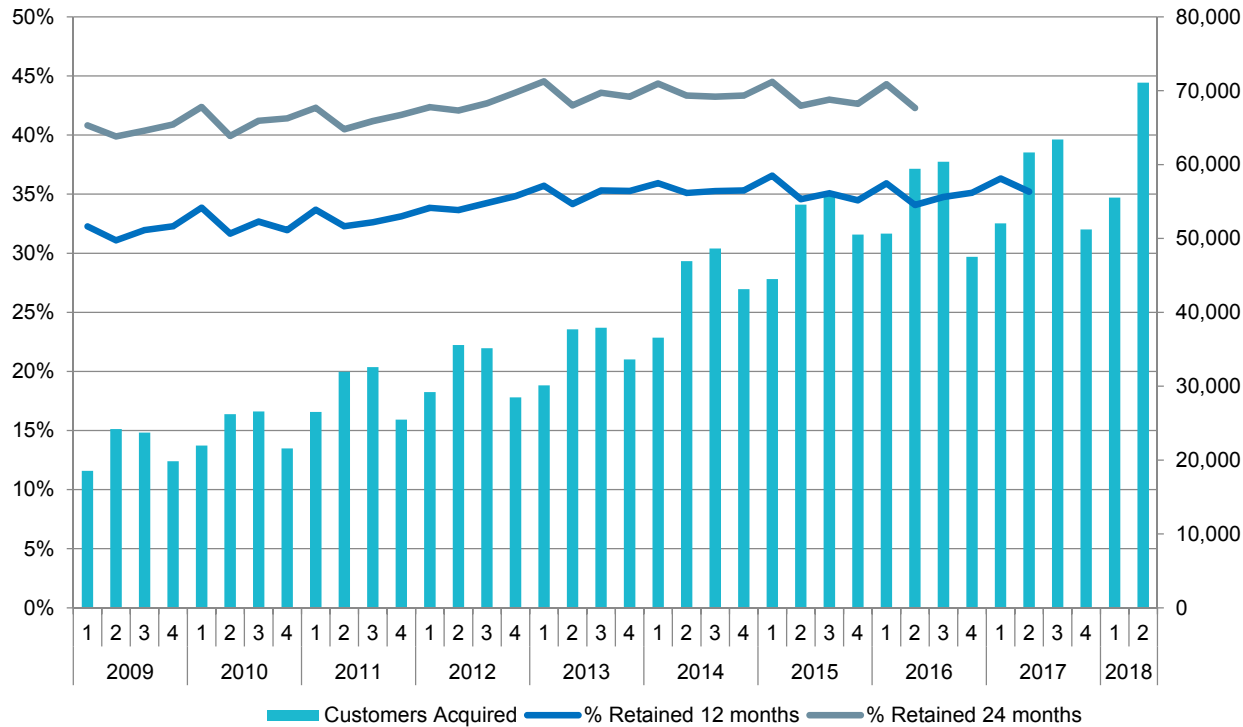


- North America revenue \$337m, +16%
- Industry ~3-4% (US)
- UK revenue £8m, +15% in underlying currency
- 683k total orders received, +17%
- 138k new customers acquired; new customer orders +13%, well above recent historical levels
- Existing customer orders also strong, +18%



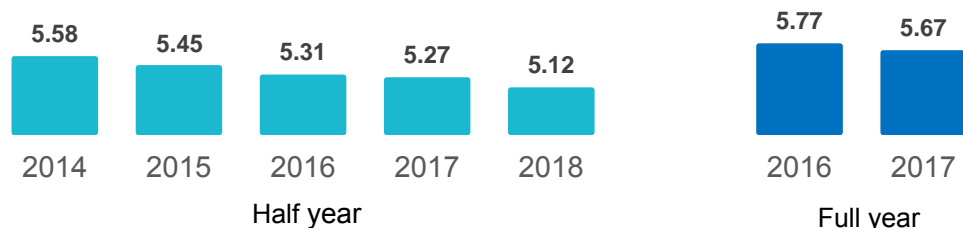
Marketing Effectiveness

US and Canada Acquired and Retention %



- Total marketing spend +20% at \$68m, includes \$3m of \$7m planned annual spend on new brand initiative (began in March)
- Online spend increased 22% to 44% of the total
- Catalogue circulation up mid-single digits
- Revenue per marketing dollar lower, but above expectations given investment in new marketing initiative

Revenue/Marketing \$



Brand Marketing Initiative

Early days, but off to a promising start.



Metric	Timescale	Progress
• Increase in 'direct' web traffic	Early indicator	Confirmed
• Increase in searches/interest in '4imprint'	Early indicator	Confirmed
• Increase in new customer orders ahead of forecast	Mid-term indicator	Confirmed
• Increased unaided awareness of 4imprint brand by target customers	Mid-term indicator	Measurement in H2

- Next up: working through the optimisation process
 - Which ads, what time, what properties?
 - Impact of consistency over time
 - Assess integration of brand initiative into overall marketing mix going forward

Outlook

The Group's performance in the first half of 2018 has exceeded our expectations and shows excellent progress towards our strategic objectives.

The encouraging initial results from our brand marketing investment and its positive effect on new customer acquisition are clearly very positive signals for the business.

The Board expects that the second half of the year will show continued strong revenue growth with underlying operating profit moving ahead of prior year.

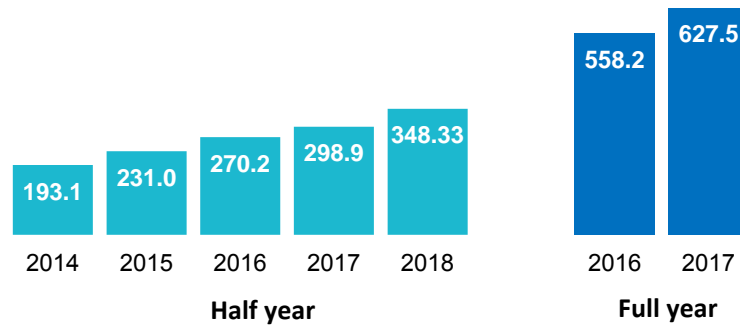


Appendix

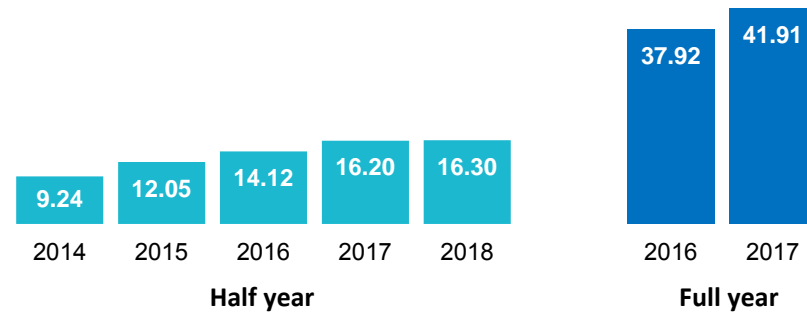


Results Summary

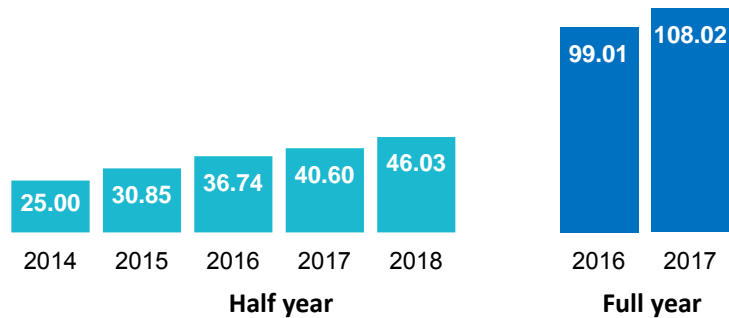
Revenue (\$m)



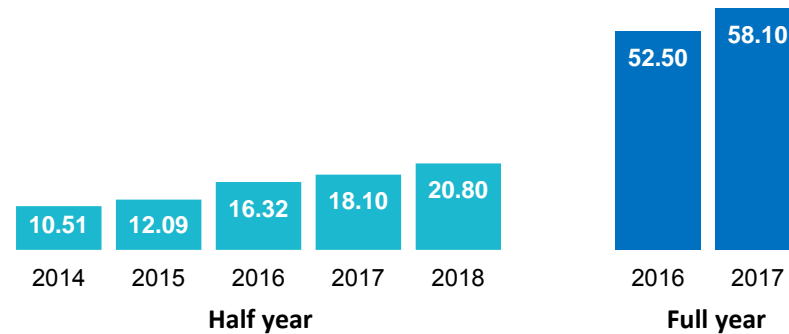
Underlying*† profit before tax (\$m)



Underlying*† EPS (cents)



Ordinary dividend per share (cents)



Exchange rates: H1 2018: 1.38 (H1 2017: 1.26, FY 2017: 1.29, FY 2016: 1.35)

*Underlying is before defined benefit pension charges and exceptional items.

†Underlying has been restated to include share option charges.

