9 August 2023

4imprint Group plc
Half year results for the 26 weeks ended 1 July 2023 (unaudited)

4imprint Group plc, (the "Group"), a leading direct marketer of promotional products, today announces its half year results for the 26 weeks ended 1 July 2023.

Financial Overview	Half year 2023 $m	Half year 2022 $m	Change
Revenue	**635.5**	515.5	+23%
Operating profit	**63.8**	44.0	+45%
Profit before tax	**66.0**	43.9	+50%
Cash and bank deposits	**74.5**	67.1	+11%
Basic EPS (cents)	**176.2**	118.9	+48%
Interim dividend per share (cents)	**65.0**	40.0	+63%
Interim dividend per share (pence)	**50.8**	33.0	+54%

The results for the half year and prior half year are unaudited.

Operational Overview

- Customer demand at record levels:
  - 1,047,000 total orders received in H1 2023 (H1 2022: 886,000)
  - 158,000 new customers acquired in H1 2023 (H1 2022: 146,000)
- Net operating profit margin increased to 10.0% (2022: 8.5%), driven principally by improvement in gross profit percentage and favourable returns on marketing spend
- Supply chain challenges experienced in 2022 mostly resolved
- Pension buy-in transaction in June 2023 insured substantially all remaining pension benefits, de-risking the balance sheet through the elimination of inflation, interest rate and longevity risks
- Interim dividend of 65.0c per share declared (2022: 40.0c) reflects performance in the first half of the year and the Group's strong financial position

Paul Moody, Chairman said:

"The Group's strong first half performance clearly demonstrates that its strategy and business model are effective in delivering profitable market share gains.

As a result, the Board's expectation, based on these latest financial results together with recent internal forecasts, is that full year 2023 Group revenue will now be slightly above $1.3bn, with profit before tax not less than $125m.

Trading results in the month of July 2023 have been in line with the Board's expectations."

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Chairman's Statement

Performance summary

Following a very satisfactory post-pandemic rebound in 2022, the Group has delivered another remarkable operational and financial performance in the first half of 2023.

Group revenue in the first half of 2023 was $635.5m, an increase of $120.0m, or 23% over the same period in 2022. Profit before tax for the period was $66.0m (2022: $43.9m), resulting in basic earnings per share of 176.2c (2022: 118.9c). The business model remains very cash-generative, leaving the Group with cash and bank deposits at the half year of $74.5m (2 July 2022: $67.1m).

Trading momentum in the first half of 2023 was favourable, with total orders received up 18% over 2022. This result should, however, be set firmly in the context of relatively weak, pandemic-affected comparatives in the first quarter of 2022. Further market share gains are anticipated in the second half of 2023, although we expect the percentage increases in total order activity seen in the first half to moderate in the second half as a result of more challenging prior year comparatives.

Strategy

Our strategic direction is uncomplicated and has not changed. We aim to deliver attractive organic revenue growth by increasing our share in the fragmented yet substantial markets that we serve. The Group's performance in the first half of 2023 directly reflects the success of this strategy.

The development of the brand component of our marketing has been a key growth driver in recent years. This investment continues as we further explore the interactions of brand with the other elements of the overall marketing mix.

Another key factor in the Group's success in the first half of 2023 has been the ability to attract and retain the depth of talent required to underpin our growth. As ever, our team members are absolutely essential to our success.

Pension

In June 2023, we took a significant further step in the Group's long-term commitment to fully de-risk its legacy defined benefit pension obligations. Through the purchase of a bulk annuity 'buy-in' insurance policy, we were able to eliminate inflation, interest rate and longevity risks in respect of substantially all remaining pension benefits. A cash lump sum of approximately $4m was paid in July by way of a 'top-up' premium for the transaction, after which balance sheet volatility will cease and future deficit reduction contributions of around $4m per year will no longer be required.

Dividend

With a substantial cash and bank deposits balance at the half year, the Group is in a strong financial position. Consequently, and in line with its balance sheet funding and capital allocation guidelines, the Board has declared an interim dividend of 65.0c per share (2022: 40.0c), an increase of 63%.

Outlook

The Group's strong first half performance clearly demonstrates that its strategy and business model are effective in delivering profitable market share gains.

As a result, the Board's expectation, based on these latest financial results together with recent internal forecasts, is that full year 2023 Group revenue will now be slightly above $1.3bn, with profit before tax not less than $125m.

Trading results in the month of July 2023 have been in line with the Board's expectations.

Paul Moody

Chairman

9 August 2023

Operating and Financial Review

Operating Review

Revenue	Half year 2023 $m	Half year 2022 $m
North America	**623.8**	505.8
UK & Ireland	**11.7**	9.7
Total	**635.5**	515.5

Operating profit	Half year 2023 $m	Half year 2022 $m
Direct Marketing operations	**66.3**	46.3
Head Office costs	**(2.5)**	(2.3)
Total	**63.8**	44.0

The results for the half year and prior half year are unaudited.

Performance overview

The strong demand patterns seen in the business as 2022 progressed continued into the first half of 2023, producing further record results.

We flagged in our AGM Trading Update on 24 May 2023 that the total order count for the first four months of 2023 was running 22% above the same period in 2022. These very strong demand numbers were anticipated in the context of weak comparatives from the first quarter of 2022, a period that included residual pandemic effects. By the end of June 2023 the year-to-date order count had fallen to 18% above prior year, reflecting the more challenging prior year comparatives in May and June. We expect that percentage increases in total order activity over prior year will continue to moderate for the remainder of the year.

In total, 1,047,000 orders were received in the first half of 2023. This represents an increase of 18% against 886,000 in 2022. Importantly, we have continued to attract new customers at an encouraging rate; in the first half of 2023 we acquired 158,000 new customers, an 8% increase over the 146,000 acquired over the same period in 2022. Orders from retained customers were stable, settling back into predictable cohorts and showing typical or even slightly improved retention characteristics after the major disruption caused by the pandemic. Average order values were up by 1% in 2023, contributing to total demand revenue (value of orders received) 20% greater than the same period in 2022.

These very encouraging numbers at the demand level laid a solid base for significant gains in year-on-year financial performance. Group revenue for the 2023 half year was $635.5m (2022: $515.5m), an increase of 23%. Operating profit for the period was $63.8m, an increase of 45% compared to $44.0m in the first half of 2022.

Operating profit margin percentage for the Group increased into double digits at 10.0% (2022: 8.5%). On a broad level, two major factors contributed to this improvement:

- A strengthening in gross margin percentages due to changes in product mix, less friction in the supply environment, and careful pricing adjustments.
- Leverage from continuing favourable returns on marketing spend, with our primary KPI, revenue per marketing dollar, at $8.22 (2022: $8.19).

The 4imprint direct marketing business model remains very cash generative, with minimal working capital requirement and underlying operating cash flow conversion of 152% in the period (H1 2022: 112%). Free cash flow of $80.8m was generated in the period (H1 2022: $33.6m), contributing to a cash and bank deposits balance at the 2023 half year of $74.5m (2 July 2022: $67.1m).

Operational highlights

Progress has been made in the following operational areas in the period.

- **People.** Our people are integral to our success. In our 2022 Annual Report we identified our intention to make a significant investment in the business in 2023, primarily in people, in order to consolidate existing gains and strengthen our platform ready for future profitable revenue growth. Despite a tight labour market, we have been able to attract the high quality talent required to service the increasing demand. We have continued steadily with the development of our permanent 'hybrid' working environment for office-based team members, improving the resilience of the business in the process.

- **Marketing.** The development of, and investment in, the brand component of our marketing has resulted in materially improved revenue per marketing dollar as compared to historical norms, something that we always believed would be the case over time. As the second half of the year unfolds and we move further away from prior year comparatives that were influenced by the pandemic, we will continue to follow our 'test, read, adjust' approach to our marketing to identify the optimal mix.
- **Supply.** The supply chain position so far in 2023 stands in stark contrast to the same timeframe in 2022. The first half of 2022 saw acute pressure due to challenges around global logistics, inventory availability and production capacity to keep up with demand. We relied on the deep relationships that we have with our key tier 1 suppliers to negotiate these supply chain issues as best we could. Thankfully, these challenges have now largely been resolved, taking delays and friction out of the process and enabling us to deliver a much more predictable service for our customers. In addition, inflationary pressure on cost of product has receded along with improving market conditions, vindicating the thoughtful approach to pricing that has been such an important factor in enabling us to deliver the strong customer acquisition and retention numbers described above.
- **Screen-printing.** Our new screen-print facility in Appleton, Wisconsin, went live for production in April 2023. We have been able to recruit the team members required for the new operation. Our intention is to scale up further in the coming months to support our overall apparel decoration capability.
- **Oshkosh facilities.** We are currently exploring options around a further expansion at our distribution centre site in Oshkosh, Wisconsin. This facility expansion will be aimed primarily at supporting the continued growth of the apparel category of our product range. It is anticipated that detailed plans will be finalised before the end of 2023, with the associated capital investment expected to be primarily in 2024.

Summary

We remain confident that significant market share opportunity lies ahead.

Financial Review

	Half year 2023 $m	Half year 2022 $m
Operating profit	**63.8**	44.0
Net finance income/(cost)	**2.2**	(0.1)
Profit before tax	**66.0**	43.9
Taxation	**(16.5)**	(10.5)
Profit for the period	**49.5**	33.4

The results for the half year and prior half year are unaudited.

The Group's operating result in the period, summarising expense by function, was as follows:

	Half year 2023 $m	Half year 2022 $m
Revenue	**635.5**	515.5
Gross profit	**193.3**	147.9
Marketing costs	**(77.3)**	(62.9)
Selling costs	**(22.7)**	(18.0)
Administration and central costs	**(28.5)**	(22.3)
Share option charges and related social security costs	**(0.5)**	(0.5)
Defined benefit pension scheme administration costs	**(0.5)**	(0.2)
Operating profit	**63.8**	44.0

Operating result

Following a record year in 2022, the first six months of 2023 saw continued strong demand, particularly in the first quarter against a relatively weak, pandemic-affected, 2022 comparative. This led to a total increase at the demand revenue level (value of orders received) of 20% over 2022, including an increase in average order value of 1%. Reported revenue for the period was even higher at 23% above 2022, benefitting from faster order cycle times, fewer order cancellations and lower claims/credits in a much more robust supply chain environment.

The gross profit percentage of 30.4% has improved markedly from 28.7% for H1 2022. Revenue gains and much improved supply chain conditions over the period have resulted in lower transportation costs, greater leverage over direct labour costs, and a carefully managed balance between supplier cost increases and customer price adjustments.

The step change in marketing productivity driven largely by investment in the brand element of the marketing mix has been maintained into 2023, with marketing costs representing a very efficient 12% of revenue (H1 2022: 12%), producing revenue per marketing dollar of $8.22 (H1 2022: $8.19).

Selling, administration, and central costs together have increased 27% over H1 2022. This increase is mainly attributable to investment in people, most notably customer service resource, and higher incentive compensation accruals in line with trading performance.

These factors, when combined, demonstrate the financial leverage in the business model, delivering material uplifts in both operating profit to $63.8m (H1 2022: $44.0m) and operating margin to 10.0% (H1 2022: 8.5%).

Foreign exchange

The primary US dollar exchange rates relevant to the Group's results were as follows:

	Half year 2023		Half year 2022		Full year 2022	
	Period end	**Average**	Period end	Average	Period end	Average
Sterling	**1.27**	**1.23**	1.20	1.30	1.20	1.24
Canadian dollars	**0.76**	**0.74**	0.77	0.79	0.74	0.77

The Group reports in US dollars, its primary trading currency. It also transacts business in Canadian dollars, Sterling and Euros. Sterling/US dollar is the exchange rate most likely to impact the Group's financial performance.

The primary foreign exchange considerations relevant to the Group's operations are as follows:

- Translational risk in the income statement remains low with the majority of the Group's revenue arising in US dollars, the Group's reporting currency.
- Most of the constituent elements of the Group balance sheet are US dollar-based.
- The Group generates cash mostly in US dollars, but its primary applications of post-tax cash are Shareholder dividends, some Head Office costs and, up until the end of July 2023, pension deficit reduction contributions, all of which are paid in Sterling.

As such, the Group's cash position is sensitive to Sterling/US dollar exchange movements. To the extent that Sterling weakens against the US dollar, more funds are available in payment currency to fund these cash outflows.

Share option charges

A total of $0.5m (H1 2022: $0.5m) was charged in the period in respect of IFRS 2 'Share-based Payments'. This was made up of two elements: (i) executive awards under the 2015 Incentive Plan and replacement Deferred Bonus Plan ("DBP"); and (ii) charges in respect of the UK SAYE Scheme and US Employee Stock Purchase Plan.

Current options and awards outstanding are 11,532 share options under the UK SAYE scheme, 87,000 share options under the US Employee Stock Purchase Plan, and 42,631 share awards under the 2015 Incentive Plan and DBP.

Net finance income/(cost)

Net finance income in the period was $2.2m (H1 2022: net finance cost $0.1m). This comprises interest earned on cash deposits, lease interest charges under IFRS 16, and the net finance income on the defined benefit pension plan assets and liabilities. Improving deposit rates, particularly in the US where interest rates have been steadily increasing, combined with significant cash balances, have driven the improvement in the net interest position over the prior period.

Taxation

The tax charge for the half year was $16.5m (H1 2022: $10.5m), giving an effective tax rate of 25% (H1 2022: 24%). The tax charge relates principally to taxation payable on profits earned in North America.

Earnings per share

Basic earnings per share was 176.2c (H1 2022: 118.9c). The increase reflects the strong financial results in the period, a consistent effective tax rate, and a weighted average number of shares in issue similar to prior year.

Dividends

Dividends are determined in US dollars and paid in Sterling, converted at the exchange rate on the date that the dividend is declared.

The Board has declared an interim dividend per share of 65.0c, (2022: 40.0c), an increase of 63%. In Sterling, the interim dividend per share will be 50.8p (2022: 33.0p). The dividend will be paid on 15 September 2023 to Shareholders on the register at the close of business on 18 August 2023.

Defined benefit pension plan

The Group sponsors a legacy UK defined benefit pension plan (the "Plan") which has been closed to new members and future accruals for several years. The Plan has 120 pensioners and 202 deferred members.

At the end of June 2023, the Trustee of the Plan entered into an agreement with Legal and General Assurance Society Limited to insure substantially all remaining pension benefits of the Plan through the purchase of a bulk annuity policy. The transaction took the form of a buy-in arrangement, with the insurer funding the Plan for the future payment of liabilities. The fair value of the bulk annuity policy matches the liabilities being insured, thus eliminating inflation, interest rate and longevity risks. The premium of £20.7m was settled by the transfer of the Plan's existing investment portfolio valued at £17.5m and a cash amount of £3.2m (c.$4m) paid by the Group after the date of these interim financial statements in early July 2023.

This buy-in agreement was an investment decision for the Plan, consistent with both the Trustee's overriding objective to enhance the security of the benefits payable to members and the Group's long-term commitment to the full de-risking of its legacy defined benefit pension obligations. As a result of this transaction, the Group will cease to make monthly deficit funding contributions to the Plan from August 2023 but will still fund the ongoing administration costs and settlement of residual liabilities.

At 1 July 2023, the surplus of the Plan on an IAS 19 basis was $0.1m, compared to a surplus of $1.2m at 31 December 2022. Gross Plan assets under IAS 19 were $22.1m, and liabilities were $22.0m.

The change in the surplus is analysed as follows:

	$m
IAS 19 surplus at 31 December 2022	**1.2**
Company contributions to the Plan	**2.1**
Company contributions to the Plan (buy-in premium shortfall)	**4.0**
Defined benefit pension scheme administration costs	**(0.5)**
Pension finance income	**0.1**
Re-measurement loss due to changes in assumptions	**(0.7)**
Return on scheme assets (excluding interest income and impact of buy-in policy)	**(1.5)**
Return on scheme assets (in relation to buy-in policy)	**(4.6)**
IAS 19 surplus at 1 July 2023	**0.1**

The surplus reduced by $1.1m in the period. This was mainly the result of a negative return on assets in the period and the net impact of entering the buy-in arrangement discussed above.

The preliminary results of the triennial actuarial valuation of the Plan as at 30 September 2022 were used as the basis of the 2023 half year IAS 19 valuation. The triennial Plan valuation will be finalised in the second half of the year.

Cash flow

The Group had cash and bank deposits of $74.5m at 1 July 2023 (2 July 2022: $67.1m; 31 December 2022: $86.8m).

Cash flow in the period is summarised as follows:

	Half year 2023 $m	Half year 2022 $m
Operating profit	**63.8**	44.0
Share option charges	**0.5**	0.4
Defined benefit pension scheme administration costs	**0.5**	0.2
Depreciation and amortisation	**2.3**	2.0
Lease depreciation	**0.9**	0.7
Change in working capital	**32.7**	4.5
Capital expenditure	**(3.5)**	(2.4)
Underlying operating cash flow	**97.2**	49.4
Tax paid	**(16.5)**	(9.2)
Net interest received	**2.1**	(0.1)
Consideration for business combination	**-**	(1.7)
Defined benefit pension scheme contributions	**(2.1)**	(2.2)
Own share transactions	**(0.4)**	(1.0)
Capital element of lease payments	**(0.7)**	(0.6)
Exchange and other	**1.2**	(1.0)
Free cash flow	**80.8**	33.6
Dividends to Shareholders	**(93.0)**	(8.1)
Net cash (outflow)/inflow in the period	**(12.2)**	25.5

The Group generated underlying operating cash flow of $97.2m (H1 2022: $49.4m), a conversion rate of 152% of operating profit. The high conversion rate is due to the unwinding of the elevated net working capital position from the 2022 year-end driven by the significant improvement in supply chain conditions. Capital expenditure includes investments in our screen-printing operations (machinery and leasehold improvements) and embroidery machinery.

Free cash flow improved by $47.2m to $80.8m (H1 2022: $33.6m). This is attributable to the strong trading performance during the period and the much-improved net working capital position. The 2022 final and special dividends of $93.0m were paid to Shareholders in June 2023.

Balance sheet and Shareholders' funds

Net assets at 1 July 2023 were $92.5m, compared to $140.2m at 31 December 2022. The balance sheet is summarised as follows:

	1 July 2023 $m	31 December 2022 $m
Non-current assets	**47.9**	46.7
Working capital	**(16.1)**	20.8
Cash and bank deposits	**74.5**	86.8
Lease liabilities	**(13.0)**	(13.7)
Pension asset	**0.1**	1.2
Other liabilities	**(0.9)**	(1.6)
Net assets	**92.5**	140.2

Shareholders' funds decreased by $47.7m since the 2022 year-end. The main constituent elements of the change were retained profit in the period of $49.5m, net of equity dividends paid to Shareholders of $(93.0)m.

The Group had a net negative working capital balance of $(16.1)m at 1 July 2023 (31 December 2022: net positive working capital balance $20.8m). The elevated position at the 2022 year-end reflected the effects of global and local supply chain issues, causing build-up of accrued revenue and inventory on orders being processed. Significant improvements to supply chain conditions in the period have driven the reduction in the working capital balance. This normalised net negative position reflects the strength of our business model, with a high proportion of customers paying for orders by credit card and the payment of suppliers to agreed terms.

Financing and liquidity

Full details of the Board's balance sheet funding guidelines and capital allocation priorities are set out on pages 37 and 38 of the 2022 Annual Report. The Board retains the same guidelines in both areas.

The primary aim of these guidelines is to provide operational and financial flexibility through economic cycles, to be able to invest in opportunities as they arise, and to meet commitments to Shareholders through dividend payments and residual contributions to the defined benefit pension plan.

The Group has a $20.0m working capital facility with its principal US bank, JPMorgan Chase, N.A. The facility has minimum net income and debt to EBITDA covenants. The interest rate is the Secured Overnight Financing Rate ("SOFR") plus 1.6%, and the facility expires on 31 May 2025. In addition, an overdraft facility of £1.0m, with an interest rate of the Bank of England base rate plus 2.0% (or 2.0% if higher), is available from the Group's principal UK bank, Lloyds Bank plc, until 31 December 2023.

The Group had cash and bank deposits of $74.5m at the period end and has no current requirement or plans to raise additional equity or core debt funding.

Estimates and judgments

The preparation of the consolidated financial statements requires management to make judgments and estimates that affect the application of accounting policies, the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period.

Critical accounting judgments are those judgments, apart from those involving estimations, that have been made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. Key assumptions and sources of estimation uncertainty are those that have a significant risk of resulting in a material adjustment to the carrying amounts of the Group's assets and liabilities within the next financial year.

A new critical accounting judgment in relation to the purchase of the bulk annuity policy (buy-in arrangement) and an update to the pension assumptions are detailed in note 4 to the interim condensed consolidated financial statements.

Principal risks and uncertainties

The Board has ultimate responsibility for oversight and management of risk and control across the Group. The Audit Committee assists the Board in fulfilling its responsibilities to maintain effective governance and oversight of the Group's risk management and internal controls.

Risks are identified on a top-down and bottom-up basis from many sources, including internally, through the Board and operational and functional management teams, and externally, to ensure that emerging risks are considered. Risk identification focuses on those risks which, if they occurred, have the potential to have a material impact on the Group and the achievement of its strategic, operational and compliance objectives. Risks are categorised into the following groups: strategic risks; operational risks; reputational risks; and environmental risks.

Management is responsible for evaluating each significant risk and implementing specific risk mitigation activities and controls with the aim of reducing the resulting residual risk to an acceptable level, as determined in conjunction with the Group's risk appetite. The Business Risk Management Committee reviews the consolidated Group risk register and the mitigating actions and controls at regular meetings and provides updates to the Audit Committee on a bi-annual basis. This process is supplemented with risk and control assessments completed by the operating locations and Group function annually.

The current principal risks and uncertainties that would impact the successful delivery of the Group's strategic goals are set out on pages 42 to 49 of the 2022 Annual Report, a copy of which is available on the Group's investor relations website at https://investors.4imprint.com. These are:

1. Macroeconomic conditions.
2. Markets & competition.
3. Effectiveness of key marketing techniques and brand development.

4. Business facility disruption.
5. Domestic supply and delivery.
6. Failure or interruption of information technology systems and infrastructure.
7. Cyber threats.
8. Supply chain compliance & ethics.
9. Legal, regulatory, and compliance.
10. Climate change.
11. Products and market trends.

These risks have not changed materially since year-end. An update to the risk environment in respect of the domestic supply and delivery risk is provided below.

Domestic supply and delivery

Supply chain conditions, initially disrupted by the impact of the pandemic and later compounded by challenges in the recruitment of staff by both the Group and our supply partners, have improved significantly over the period. This has led to shorter order cycle times, lower order cancellations and a significant reduction to the elevated year-end working capital position arising from a build-up of accrued revenue and inventory on orders in process.

Going concern statement

In adopting the going concern basis for preparing these condensed consolidated financial statements, the Directors have carefully considered:

- The Group's strategy, market position and business model, as set out in the Strategic Report section on pages 9 to 19 of the 2022 Annual Report.
- The principal risks and uncertainties facing the Group, as outlined in the Principal risks and uncertainties section of this Financial Review.
- Information contained in this Financial Review concerning the Group's financial position, cash flows and liquidity.
- Regular management reporting and updates from the Executive Directors.
- Recent detailed financial forecasts and analysis for the period to 28 December 2024.

Financial position

The Group had cash and bank deposits of $74.5m at 1 July 2023 (31 December 2022: $86.8m) and maintains a $20.0m working capital facility with its principal US bank, JPMorgan Chase, N.A., which expires on 31 May 2025, as well as an overdraft facility of £1.0m with its principal UK bank, Lloyds Bank plc, which is available until 31 December 2023. Based on our forecast, we have no requirement to draw on either of these facilities.

Financial modelling

We undertake regular forecasting and budgeting exercises which are reviewed and approved by the Board. On an annual basis and as described in the Viability statement in the Financial Review section on pages 38 to 40 of the 2022 Annual Report, we also model a distressed scenario based upon severe, but plausible, downside demand assumptions to support our assessment of viability. These forecasts have demonstrated the Group's ability to flex its marketing and other costs to mitigate the impact of falls in revenue, whilst still retaining flexibility to further reduce costs should the need arise.

Combined with a healthy cash and bank deposits position maintained in accordance with our balance sheet funding guidelines, the Board considers the Group to be in a strong position to withstand severe economic stress and to take market share opportunities as they arise.

Going concern

Based on their assessment, the Directors have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Company's ability to continue as a going concern over the period to 28 December 2024. Accordingly, they continue to adopt the going concern basis in preparing these condensed consolidated financial statements.

Kevin Lyons-Tarr
Chief Executive Officer

David Seekings
Chief Financial Officer

9 August 2023

Condensed Consolidated Income Statement
For the 26 weeks ended 1 July 2023

	Note	**Half year 2023 Unaudited $'000**	Half year 2022 Unaudited $'000	Full year 2022 Audited $'000
Revenue	6	**635,534**	515,536	1,140,286
Operating expenses		**(571,733)**	(471,553)	(1,037,384)
Operating profit	6	**63,801**	43,983	102,902
Finance income		**2,344**	108	1,162
Finance costs		**(245)**	(205)	(425)
Pension finance income		**51**	27	67
Net finance income/(cost)		**2,150**	(70)	804
Profit before tax		**65,951**	43,913	103,706
Taxation	7	**(16,488)**	(10,539)	(23,563)
Profit for the period		**49,463**	33,374	80,143

		Cents	Cents	Cents
Earnings per share				
Basic	8	**176.23**	118.90	285.57
Diluted	8	**175.71**	118.67	284.95

Condensed Consolidated Statement of Comprehensive Income

For the 26 weeks ended 1 July 2023

	Half year 2023 Unaudited $'000	Half year 2022 Unaudited $'000	Full year 2022 Audited $'000
Profit for the period	**49,463**	33,374	80,143
Other comprehensive income			
Items that may be reclassified subsequently to the income statement:			
Currency translation differences	**1,452**	(1,269)	(1,614)
Items that will not be reclassified subsequently to the income statement:			
Return on pension scheme assets (excluding interest income and impact of buy-in policy)	**(1,548)**	(11,381)	(16,374)
Re-measurement loss on buy-in policy (note 10)	**(4,591)**	-	-
Re-measurement (losses)/gains on post-employment obligations	**(727)**	8,201	11,916
Tax relating to components of other comprehensive income	**1,193**	560	1,756
Other comprehensive income for the period, net of tax	**(4,221)**	(3,889)	(4,316)
Total comprehensive income for the period, net of tax	**45,242**	29,485	75,827

Condensed Consolidated Balance Sheet

At 1 July 2023

	Note	**1 July 2023 Unaudited $'000**	2 July 2022 Unaudited $'000	31 Dec 2022 Audited $'000
Non-current assets				
Property, plant and equipment		**30,791**	25,765	29,255
Intangible assets		**770**	1,002	957
Goodwill		**1,010**	1,010	1,010
Right-of-use assets		**12,256**	11,153	13,103
Deferred tax assets		**3,034**	579	2,381
Retirement benefit asset	10	**53**	717	1,234
		47,914	40,226	47,940
Current assets				
Inventories		**18,332**	22,726	18,090
Trade and other receivables		**81,397**	82,030	87,511
Current tax debtor		**-**	1,331	-
Other financial assets – bank deposits		**-**	-	34,913
Cash and cash equivalents		**74,540**	67,096	51,839
		174,269	173,183	192,353
Current liabilities				
Lease liabilities	11	**(1,423)**	(1,246)	(1,435)
Trade and other payables		**(115,807)**	(96,981)	(84,761)
Current tax creditor		**(512)**	-	(1,205)
		(117,742)	(98,227)	(87,401)
Net current assets		**56,527**	74,956	104,952
Non-current liabilities				
Lease liabilities	11	**(11,610)**	(10,370)	(12,315)
Deferred tax liabilities		**(358)**	(1,022)	(357)
		(11,968)	(11,392)	(12,672)
Net assets		**92,473**	103,790	140,220
Shareholders' equity				
Share capital		**18,842**	18,842	18,842
Share premium reserve		**68,451**	68,451	68,451
Other reserves		**5,858**	4,751	4,406
Retained earnings		**(678)**	11,746	48,521
Total Shareholders' equity		**92,473**	103,790	140,220

Condensed Consolidated Statement of Changes in Shareholders' Equity (unaudited)
For the 26 weeks ended 1 July 2023

				Retained earnings		
	Share capital $'000	Share premium reserve $'000	Other reserves $'000	Own shares $'000	Profit and loss $'000	Total equity $'000
Balance at 2 January 2022	18,842	68,451	6,020	(851)	(9,496)	82,966
Profit for the period					33,374	33,374
Other comprehensive income			(1,269)		(2,620)	(3,889)
Total comprehensive income			(1,269)		30,754	29,485
Proceeds from options exercised					12	12
Own shares utilised				825	(825)	-
Own shares purchased				(980)		(980)
Share-based payment charge					442	442
Dividends					(8,135)	(8,135)
At 2 July 2022	18,842	68,451	4,751	(1,006)	12,752	103,790
Profit for the period					46,769	46,769
Other comprehensive income			(345)		(82)	(427)
Total comprehensive income			(345)		46,687	46,342
Proceeds from options exercised					332	332
Own shares utilised				366	(366)	-
Own shares purchased				(230)		(230)
Share-based payment charge					373	373
Deferred tax relating to share options					52	52
Deferred tax relating to UK tax losses					148	148
Dividends					(10,587)	(10,587)
At 31 December 2022	18,842	68,451	4,406	(870)	49,391	140,220
Profit for the period					**49,463**	**49,463**
Other comprehensive income			**1,452**		**(5,673)**	**(4,221)**
Total comprehensive income			**1,452**		**43,790**	**45,242**
Proceeds from options exercised					**67**	**67**
Own shares utilised				**607**	**(607)**	**-**
Own shares purchased				**(501)**		**(501)**
Share-based payment charge					**486**	**486**
Dividends					**(93,041)**	**(93,041)**
Balance at 1 July 2023	**18,842**	**68,451**	**5,858**	**(764)**	**86**	**92,473**

Condensed Consolidated Cash Flow Statement

For the 26 weeks ended 1 July 2023

	Note	**Half year 2023 Unaudited $'000**	Half year 2022 Unaudited $'000	Full year 2022 Audited $'000
Cash flows from operating activities				
Cash generated from operations	12	**98,381**	49,639	97,040
Tax paid		**(16,515)**	(9,151)	(20,755)
Finance income received		**2,376**	108	1,130
Finance costs paid		**(20)**	(35)	(33)
Lease interest		**(225)**	(176)	(398)
Net cash generated from operating activities		**83,997**	40,385	76,984
Cash flows from investing activities				
Purchases of property, plant and equipment		**(3,580)**	(2,263)	(7,719)
Purchases of intangible assets		**-**	(179)	(341)
Proceeds from sale of property, plant and equipment		**124**	3	49
Consideration for business combination		**-**	(1,700)	(1,700)
Decrease/(increase) in current asset investments – bank deposits		**36,151**	-	(35,003)
Net cash used in investing activities		**32,695**	(4,139)	(44,714)
Cash flows from financing activities				
Capital element of lease payments		**(717)**	(584)	(1,225)
Proceeds from share options exercised		**67**	12	344
Purchases of own shares		**(501)**	(980)	(1,210)
Dividends paid to Shareholders	9	**(93,041)**	(8,135)	(18,722)
Net cash used in financing activities		**(94,192)**	(9,687)	(20,813)
Net movement in cash and cash equivalents		**22,500**	26,559	11,457
Cash and cash equivalents at beginning of the period		**51,839**	41,589	41,589
Exchange gains/(losses) on cash and cash equivalents		**201**	(1,052)	(1,207)
Cash and cash equivalents at end of the period		**74,540**	67,096	51,839

Notes to the Interim Financial Statements

1 General information

4imprint Group plc is a public limited company incorporated in England and Wales, domiciled in the UK and listed on the London Stock Exchange. Its registered office is 25 Southampton Buildings, London, WC2A 1AL.

These interim condensed consolidated financial statements, which were authorised for issue in accordance with a resolution of the Directors on 8 August 2023, do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the period ended 31 December 2022 were approved by the Board of Directors on 14 March 2023 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

The financial information contained in this report has neither been audited nor reviewed by the auditors, pursuant to Auditing Practices Board guidance on Review of Interim Financial Information.

2 Basis of preparation

These interim condensed consolidated financial statements for the 26 weeks ended 1 July 2023 have been prepared, in US dollars, in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and IAS 34 'Interim Financial Reporting', as adopted by the United Kingdom, and should be read in conjunction with the Group's financial statements for the period ended 31 December 2022, which were prepared in accordance with UK-adopted International Accounting Standards.

As outlined in the Going concern section of the Financial Review, the Directors consider it appropriate to continue to adopt the going concern basis in preparing these interim condensed consolidated financial statements.

The tax charge for the interim period is accrued based on the best estimate of the tax charge for the full financial year.

3 Accounting policies

The accounting policies applied in these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the period ended 31 December 2022, as described in those annual financial statements. New accounting standards applicable for the first time in this reporting period have no impact on the Group's results or balance sheet.

On 20 June 2023 the UK Finance Bill was substantively enacted in the UK, including legislation to implement the OECD Pillar Two income taxes for periods beginning on or after 31 December 2023. The Group has applied the exception in the Amendments to IAS 12 issued in May 2023 and endorsed in July 2023 and has neither recognised nor disclosed information about deferred tax assets or liabilities relating to Pillar Two income taxes.

4 Estimates and judgments

The critical accounting judgments and key assumptions and sources of estimation uncertainty were the same as those applied to the Group's annual consolidated financial statements for the period ended 31 December 2022, except for the new critical accounting judgment in relation to the purchase of a bulk annuity policy and an update to the pensions assumptions, as detailed below.

Critical accounting judgments

Purchase of a bulk annuity policy

During the period the Trustee of the 4imprint 2016 Pension Plan (the "Plan") exchanged the existing investment portfolio, including a further cash lump sum contribution from the Group, for a bulk purchase annuity policy. This policy funds most of the Plan's defined benefit obligations (a buy-in policy). This was an investment decision made in line with the stated objective of further de-risking the Plan's obligations. The Plan retains the legal and constructive obligation to pay the benefits and the Trustee continues to administer the Plan.

Based upon the above, management's judgment was that the purchase of the policy did not constitute a settlement, as defined by IAS 19, and the excess of the cost of the annuity over the IAS 19 valuation of the obligations covered has been recorded in other comprehensive income.

Key assumptions and sources of estimation uncertainty

Pensions

As detailed in note 10, the Group sponsors a defined benefit pension plan (the "Plan") closed to new members and future accrual. Most of the obligations of the plan are funded by a bulk purchase annuity policy, the fair value of which, on an IAS 19 basis, matches the present value of the obligations being covered. Period-end valuation of the obligations of the Plan requires a number of significant actuarial assumptions to be made, including inflation rate, discount rate and mortality rates. Small changes in assumptions can have a significant impact on the amounts recorded in other comprehensive income and on the pension obligations and annuity asset in the balance sheet. Sensitivities to changes in these assumptions are disclosed in note 10.

5 Financial risk management

The Group's activities expose it to a variety of financial risks: currency risk; credit risk; liquidity risk; and capital risk. These interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual consolidated financial statements for the period ended 31 December 2022. There have been no changes in any financial risk management policies since that date.

6 Segmental analysis

The chief operating decision maker has been identified as the Board of Directors and the segmental analysis is presented based on the Group's internal reporting to the Board.

At 1 July 2023, the Group had two operating segments, North America and UK & Ireland. The costs of the Head Office are reported separately to the Board, but this is not an operating segment.

Revenue	**Half year 2023 $'000**	Half year 2022 $'000	Full year 2022 $'000
North America	**623,797**	505,864	1,120,517
UK & Ireland	**11,737**	9,672	19,769
Total Group revenue	**635,534**	515,536	1,140,286

Profit	**Half year 2023 $'000**	Half year 2022 $'000	Full year 2022 $000
North America	**66,290**	46,420	107,965
UK & Ireland	**31**	(132)	(54)
Operating profit from Direct Marketing operations	**66,321**	46,288	107,911
Head Office costs	**(2,520)**	(2,305)	(5,009)
Operating profit	**63,801**	43,983	102,902
Net finance income/(cost)	**2,150**	(70)	804
Profit before tax	**65,951**	43,913	103,706

Other segmental information

	Assets			Liabilities		
	1 July 2023 $'000	2 July 2022 $'000	31 Dec 2022 $'000	**1 July 2023 $'000**	2 July 2022 $'000	31 Dec 2022 $'000
North America	**139,678**	140,731	146,401	**(120,496)**	(105,346)	(95,817)
UK & Ireland	**4,381**	3,948	3,175	**(4,446)**	(3,798)	(3,345)
Head Office	**78,124**	68,730	90,717	**(4,768)**	(475)	(911)
	222,183	213,409	240,293	**(129,710)**	(109,619)	(100,073)

Head Office assets include other financial assets – bank deposits, cash and cash equivalents, deferred tax assets and the retirement benefit asset. Head Office liabilities include other payables and accruals.

Notes to the Interim Financial Statements

7 Taxation

The taxation rate was 25%, based on the estimated rate for the full year (H1 2022: 24%; FY 2022: 23%). Tax paid in the period was $16.5m (H1 2022: $9.2m; FY 2022: $20.8m).

The deferred tax assets/liabilities at 1 July 2023 have been calculated at a tax rate of 25% (19% in respect of deferred tax items that were expected to reverse before 1 April 2023 for H1 2022 and FY 2022, and 25% in respect of deferred tax items expected to reverse after 1 April 2023 for H1 2022 and FY 2022) for UK deferred tax items, and 25% (H1 2022: 25%; FY 2022: 25%) in respect of US deferred tax items.

8 Earnings per share

Basic and diluted

The basic and diluted earnings per share are calculated based on the following data:

	Half year 2023 $'000	Half year 2022 $'000	Full year 2022 $'000
Profit after tax	**49,463**	33,374	80,143

	Half year 2023 Number 000's	Half year 2022 Number 000's	Full year 2022 Number 000's
Basic weighted average number of shares	**28,068**	28,070	28,064
Adjustment for employee share options	**82**	53	61
Diluted weighted average number of shares	**28,150**	28,123	28,125

	Cents	Cents	Cents
Basic earnings per share	**176.23**	118.90	285.57
Diluted earnings per share	**175.71**	118.67	284.95

The basic weighted average number of shares excludes shares held in the 4imprint Group plc employee benefit trust. The effect of this is to reduce the average by 17,444 (H1 2022: 15,931; FY 2022: 21,632).

9 Dividends

	Half year 2023 $'000	Half year 2022 $'000	Full year 2022 $'000
Dividends paid in the period	**93,041**	8,135	18,722

		Cents	Cents	Cents
Dividends per share declared	- Interim	**65.00**	40.00	40.00
	- Final	**-**	-	120.00
	- Special	**-**	-	200.00

The interim dividend for 2023 of 65.00c per ordinary share (interim 2022: 40.00c; final 2022: 120.00c; special 2022: 200.00c) will be paid on 15 September 2023 to Shareholders on the register at the close of business on 18 August 2023.

10 Employee pension schemes

The Group operates defined contribution pension schemes for its UK and US employees. The regular contributions are charged to the income statement as they are incurred.

The Group also sponsors a UK defined benefit pension scheme (the “Plan”) which is closed to new members and future accrual. The funds of the scheme are held in trust, administered by a corporate Trustee, and are independent of the Group’s finances.

The preliminary results of the triennial actuarial valuation of the Plan as at 30 September 2022 have been updated on an approximate basis to 1 July 2023 in accordance with IAS 19. There have been no changes in the valuation methodology adopted for this period’s disclosures compared to previous periods’ disclosures.

The Plan entered a £20.7m buy-in transaction on 27 June 2023 with Legal and General Assurance Society Limited to insure substantially all remaining pension benefits of the Plan through the purchase of a bulk annuity policy. The premium of £20.7m was settled by the transfer of the Plan’s existing investment portfolio valued at £17.5m and a cash amount of £3.2m (c.$4m) paid by the Group after the date of these interim financial statements in early July 2023. The difference between the cost of the insurance policy and the IAS 19 accounting value of the liabilities secured was £3.7m ($4.6m) and has been recorded within other comprehensive income.

The principal assumptions applied by the actuaries at 1 July 2023 were:

	Half year 2023	Half year 2022	Full year 2022
Rate of increase in pensions in payment	**3.12%**	3.10%	3.08%
Rate of increase in deferred pensions	**2.71%**	2.60%	2.66%
Discount rate	**5.26%**	3.55%	4.82%
Inflation assumption - RPI	**3.21%**	3.20%	3.16%
Inflation assumption - CPI	**2.71%**	2.60%	2.66%

The mortality assumptions adopted at 1 July 2023 imply the following life expectancies at age 65:

	Half year 2023 Years	Half year 2022 Years	Full year 2022 Years
Male currently aged 45	**22.4**	22.3	22.3
Female currently aged 45	**24.3**	24.3	24.2
Male currently aged 65	**21.4**	21.3	21.3
Female currently aged 65	**23.1**	23.1	23.1

The movement on the net retirement benefit asset, and the value of the gross scheme assets and liabilities, are shown in the Financial Review.

The sensitivities on key actuarial assumptions at the end of the period were:

	Change in assumption	Change in defined benefit obligation
Discount rate	Decrease of 1.00%	+12.9%
Rate of inflation	Increase of 1.00%	+4.5%
Rate of mortality	Increase in life expectancy of one year	+2.8%

Notes to the Interim Financial Statements

11 Leases

The Group leases office and industrial space in Oshkosh and Appleton, Wisconsin. The movement in lease liabilities in the period is shown below:

	Half year 2023	Half year 2022	Full year 2022
	$'000	$'000	$'000
At start of period	**13,750**	12,089	12,089
Additions	**-**	111	2,886
Interest charge	**225**	176	398
Lease interest payments – operating cash flow	**(225)**	(176)	(398)
Lease capital payments – financing cash flow	**(717)**	(584)	(1,225)
At end of period	**13,033**	11,616	13,750

12 Cash generated from operations

	Half year 2023	Half year 2022	Full year 2022
	$'000	$'000	$'000
Profit before tax	**65,951**	43,913	103,706
Adjustments for:			
Depreciation of property, plant and equipment	**2,081**	1,757	3,594
Amortisation of intangible assets	**189**	216	424
Amortisation of right-of-use assets	**847**	683	1,508
(Profit)/loss on disposal of property, plant and equipment	**(118)**	3	84
Share option charges	**486**	442	815
Net finance (income)/cost	**(2,150)**	70	(804)
Defined benefit pension administration charge	**470**	175	521
Contributions to defined benefit pension scheme	**(2,121)**	(2,202)	(4,367)
Changes in working capital:			
(Increase)/decrease in inventories	**(277)**	(2,167)	2,469
Decrease/(increase) in trade and other receivables	**3,803**	(18,587)	(24,164)
Increase in trade and other payables	**29,220**	25,336	13,254
Cash generated from operations	**98,381**	49,639	97,040

13 Capital commitments

The Group had capital commitments contracted but not provided for in these financial statements for property, plant and equipment of $1.6m (2 July 2022: $4.1m; 31 December 2022: $2.7m).

14 Related party transactions

Transactions and balances between the Company and its subsidiaries have been eliminated on consolidation. The Group did not participate in any related party transactions with parties outside of the Group.

15 Post balance sheet events

On 25 July 2023, the Company issued 87,000 ordinary shares for a consideration of £1.9m to satisfy option exercises under the 2021 US Employee Stock Purchase Plan. Full details of the Company's share option schemes are given in notes 22 and 23 of the Company's Annual Report and Accounts 2022.

Alternative Performance Measures

An Alternative Performance Measure ("APM") is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified within IFRS.

The Group uses APMs to supplement standard IFRS measures to provide users with information on underlying trends and additional financial measures, which the Group considers will aid users' understanding of the business.

Definitions of the Group's APMs can be found on pages 142 and 143 of the 2022 Annual Report.

Reconciliations of the *free cash flow*, *capital expenditure*, *underlying operating cash flow, and cash and bank deposits* APMs to their closest IFRS measures are provided below:

	Half year 2023 $m	Half year 2022 $m
Net movement in cash and cash equivalents	**22.5**	26.6
Less: Decrease in current asset investments – bank deposits	**(36.1)**	-
Less: Exchange gain on decrease in current asset investments – bank deposits	**1.2**	-
Add back: Dividends paid to Shareholders	**93.0**	8.1
Add back: Exchange gains on cash and cash equivalents	**0.2**	(1.1)
Free cash flow	**80.8**	33.6

	Half year 2023 $m	Half year 2022 $m
Purchase of property, plant and equipment	**(3.6)**	(2.2)
Purchase of intangible assets	**-**	(0.2)
Proceeds from sale of property, plant and equipment	**0.1**	-
Capital expenditure	**(3.5)**	(2.4)

	Half year 2023 $m	Half year 2022 $m
Cash generated from operations	**98.4**	49.6
Add back: Contributions to defined benefit pension scheme	**2.1**	2.2
Add back: Profit on disposal of property, plant and equipment	**0.2**	-
Less: Purchases of property, plant and equipment and intangible assets	**(3.6)**	(2.4)
Add back: Proceeds from sale of property, plant and equipment	**0.1**	-
Underlying operating cash flow	**97.2**	49.4

	1 July 2023 $m	2 July 2022 $m	31 Dec 2022 $m
Cash and cash equivalents	**74.5**	67.1	51.9
Other financial assets – bank deposits	**-**	-	34.9
Cash and bank deposits	**74.5**	67.1	86.8

Statement of Directors' Responsibilities

The Directors confirm that, to the best of their knowledge, these interim condensed consolidated financial statements have been prepared in accordance with IAS 34 as adopted by the United Kingdom and that the interim management report includes a fair review of the information required by DTR 4.2.7 and 4.2.8, namely:

- An indication of the important events that have occurred during the first half of the year and their impact on the interim condensed consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- Material related party transactions in the first half of the year and any material changes in the related party transactions described in the last annual report.

The Directors of 4imprint Group plc are as listed in the Group's Annual Report and Accounts 2022.

By order of the Board

Kevin Lyons-Tarr
Chief Executive Officer

David Seekings
Chief Financial Officer

9 August 2023