

Half Year Results 2022



Highlights

Kevin Lyons-Tarr, CEO



Results Summary

Revenue

\$515.54m

↑ 58%

Operating profit

\$43.98m

↑ 1,122%

Basic EPS

118.90c

↑ 1,204%

Cash

\$67.10m

2021 FY: \$41.59m

Interim dividend

40.00c

2021 HY: 15.00c

Total orders

886,000

2021 HY: 616,000

Financial Review

David Seekings, CFO



Group Income Statement

	H1 2022	H1 2021		FY 2021
	\$'000	\$'000	%	\$'000
Revenue	515,536	326,808	58%	787,322
Gross profit	147,943	95,606	55%	226,023
<i>Gross profit %</i>	28.70%	29.25%		28.71%
Marketing costs	(62,939)	(59,889)	5%	(127,530)
Selling costs	(18,057)	(15,427)	17%	(32,167)
Admin & central costs	(22,331)	(16,196)	38%	(34,732)
Share option related charges	(458)	(327)	40%	(607)
DB pension admin costs	(175)	(172)	2%	(341)
Operating profit	43,983	3,595	1,123%	30,646
<i>Operating margin</i>	8.53%	1.10%		3.89%
Interest	(97)	(213)		(402)
Pension finance charges	27	(15)		(15)
Profit before tax	43,913	3,367	1,204%	30,229
Tax	(10,539)	(808)		(7,643)
Profit after tax	33,374	2,559	1,204%	22,586
Basic EPS	118.90c	9.12c		80.46c

- Revenue +58%
 - US \$505.9m; UK \$9.7m
- Gross profit +55%
 - Margin % broadly stable given difficult supply situation
 - Product cost inflation partially offset by careful price adjustments
- Marketing costs +5%
 - Brand component driving efficiency
 - Revenue per marketing dollar \$8.19 (2021: \$5.46)
- Selling costs +17%
 - Investment in talent
 - Operational gearing effect
- Admin & central costs +38%
 - YOY increase largely due to incentive compensation accruals and revenue reserves
 - Central costs \$2.1m (2021: \$1.9m)
- Operating margin %
 - Sharp increase reflecting strong H1 results and leverage in direct marketing business model
- Effective tax rate 24% (2021: 24%)

Cash Flow

	H1 2022	H1 2021	FY 2021
	\$'000	\$'000	\$'000
At start of period	41,589	39,766	39,766
Operating profit	43,983	3,595	30,646
Share option non-cash charges	442	321	602
Pension admin costs	175	172	340
Loss on disposal of fixed assets	3	-	-
Depreciation and amortisation	1,973	1,763	3,674
Depreciation of right-of-use assets	683	672	1,340
Change in working capital	4,582	11,316	(13,756)
Capital expenditure	(2,442)	(963)	(3,465)
Operating cash flow	49,399	16,876	19,381
Contributions to defined benefit pension	(2,202)	(2,069)	(4,589)
Consideration for business combination	(1,700)	-	-
Interest	(103)	(220)	(409)
Tax paid	(9,151)	(820)	(6,414)
Own share transactions	(968)	(301)	(843)
Capital element of lease payments	(584)	(554)	(1,117)
Exchange and other	(1,049)	124	(52)
Free cash flow	33,642	13,036	5,957
Dividends to Shareholders	(8,135)	-	(4,134)
Net cash inflow	25,507	13,036	1,823
At end of period	67,096	52,802	41,589

- Strong cash generation resulting primarily from YOY increase in operating profit
- Cash conversion 112%, driven mainly by H1 working capital inflow
- Capex includes \$1.7m for solar array at Oshkosh DC
- \$1.7m outflow re. small acquisition of screen-print supplier
- Tax payments rising in line with trading performance
- Dividend payments rising in line with financial performance

Balance Sheet

	H1 2022	H1 2021	FY 2021
	\$'000	\$'000	\$'000
Fixed assets	26,767	25,141	25,712
Right-of-use assets	11,153	12,395	11,725
Deferred tax assets	579	3,857	600
Retirement benefit asset	717	-	1,974
Goodwill	1,010	-	-
	40,226	41,393	40,011
Inventories	22,726	12,646	20,559
Receivables	82,030	48,652	63,589
Payables	(96,981)	(74,110)	(71,877)
	7,775	(12,812)	12,271
Current tax	1,331	2,449	2,034
Deferred tax liabilities	(1,022)	(1,478)	(850)
Cash	67,096	52,802	41,589
Lease liabilities	(11,616)	(12,652)	(12,089)
Retirement benefit obligations	-	(2,244)	-
	55,789	38,877	30,684
Net assets	103,790	67,458	82,966

- Fixed assets includes solar array
- Pension fund remains in surplus on IAS 19 basis
 - Ongoing contributions ~\$4m/yr
 - Aim to be 'buy-out ready' by mid-year 2024
- Goodwill arising on acquisition of small screen-print supplier
- Working capital increase YOY
 - Supply chain issues and resulting order backlog
 - Improving in H1 vs. 2021 year-end
- Strong financial position
 - Cash \$67.10m; no debt

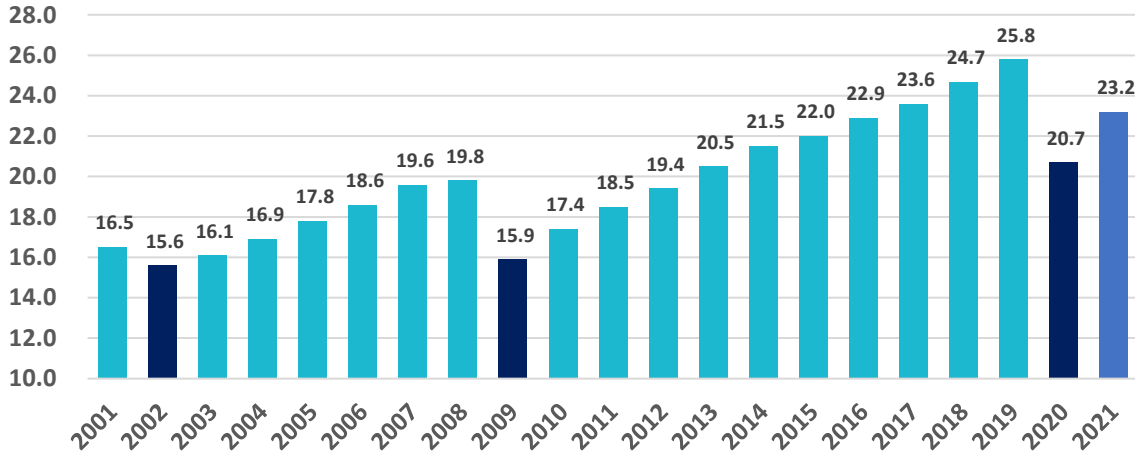
Operational Review

Kevin Lyons-Tarr, CEO



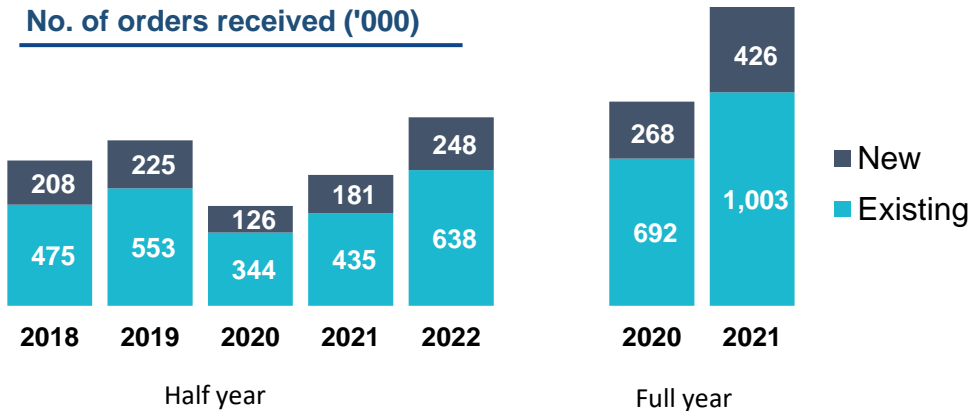
Market

ASI Industry Sales North America 2000 - 2021 \$bn



Source: ASI

No. of orders received ('000)

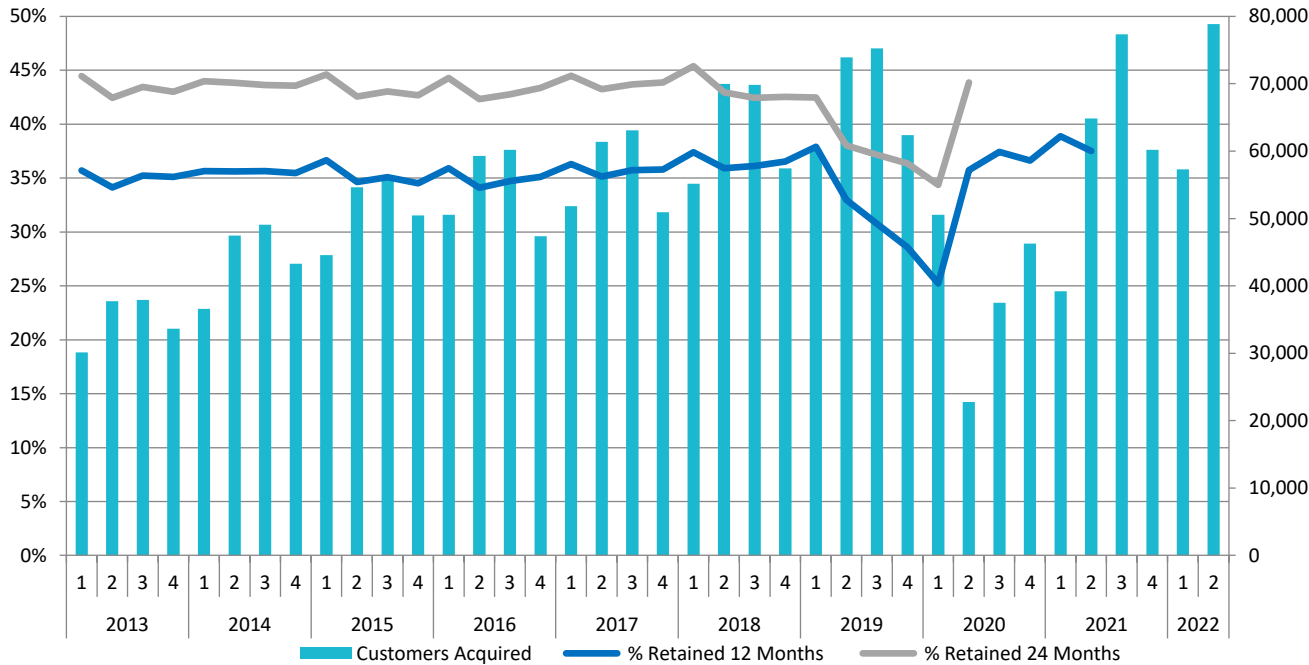


- Q1 2022 industry sales up 5.4% over Q1 2021; Q2 estimates not yet published
- 4imprint Q1 market share 4.5% vs. 3.3% in Q1 2019, indicating strengthened position vs. pre-pandemic

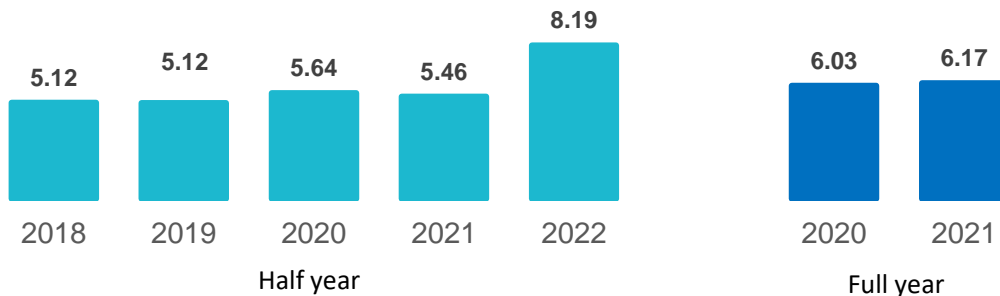
- 886k total orders received, +44% over H1 2021 (+14% over H1 2019)
- Both new and existing customer orders recovering well, ahead of H1 2021 and H1 2019
- H1 2022 percentage order growth over H1 2019 essentially the same as H1 2019 order growth over H1 2018, signalling a more 'settled' order intake pattern

Marketing Effectiveness

US and Canada Acquired and Retained %



Revenue/Marketing \$



- Total H1 marketing spend \$62.9m, +5% over H1 2021 \$59.9m, (2019 \$79.2m)
- Further 'reshaping' of marketing mix combined with strong new customer acquisition, recovering retention rates and improving market combine to drive revenue per marketing dollar to \$8.19
 - Brand marketing now just ahead of online as largest portion of the marketing spend; direct mail down slightly against H1 2021, but continues to be materially down from historical levels
 - Compared to H1 2019, new customer orders up 10% and existing up 15% on \$16.3m less marketing spend
- Existing customer order intake and retention rate indicative of a recovering market but also marketing effectiveness both in terms of retention marketing efforts but also quality of customers acquired even as marketing mix has changed



Operational Update

People

- A crucial element in our success, delivering outstanding customer service at a time of record-breaking order volumes and a challenging supply situation; validates the decision not to lay off any team members during the pandemic.
- Success so far in attracting additional talent and retain existing team members in an extremely tight labour market, helped by investment in remuneration and benefit initiatives that will continue into H2 2022.

Supply chain

- Supply chain disruption continued in H1, although challenges showing signs of easing. Apparel category remains the most difficult in terms of product availability, operational complexity and decorating capacity.
- Product cost inflation, largely driven by increased transportation and labour costs for our Tier 1 suppliers also continued, but has shown signs of stabilising. Some H1 cost pressure mitigated by careful price increases that balance several factors. Additional margin pressure possible in H2; a combination of more targeted price increases as well as merchandising adjustments may be used to help offset.
- Acquisition of small screen-print supplier to form the nucleus of an in-house screen-print apparel decoration capability/capacity necessary to support continued growth; similar to approach used to build our substantial embroidered apparel offering.

Operational Update

Solar Array Project

- ~\$2m, 2,660 panel solar array project at the Oshkosh DC site announced with FY 2021 results originally due to be operational in late Q3/early Q4 now partially operational. Solar panel installation complete, and will be fully operational by end of August.
- Array anticipated to generate more than 40% of the site's current power requirements; an important step in moving towards reducing our own operational footprint and significantly increasing the proportion of our energy derived from renewable sources.



Installation of Oshkosh Distribution Center (DC) solar array. Photo looks eastward towards the DC building



Outlook

The Board remains very confident in the Group's strategy, the strength and resilience of its business model and its competitive position. This confidence is expressed in our expectation of reaching our long-held revenue target of \$1bn during the 2022 financial year.

At the same time, the Board is cognisant of continuing uncertainty in the form of geopolitical and broad economic factors that could potentially slow down the Group's performance during the remainder of 2022.

Trading momentum in the first few weeks of the second half of 2022 has remained encouraging.



Q&A



Financial Guidance

- Capex: \$9.0m
- Depreciation charge (non-IFRS 16): \$4.1m
- Effective tax rate: 24%
- IFRS 2: share-based payments: \$0.8m
- Own share transactions: \$0.9m
- Shares in issue average
 - Basic: 28.07m
 - Diluted: 28.14m
- DB pension plan:
 - Admin (P&L): \$0.4m
 - Cash contributions: \$4.1m
- Interim dividend (paid Sept 2022): \$11.2m
- IFRS 16 – leases
 - Balance sheet (Dec 2022)
 - Right of use assets: \$10.5m
 - Lease liability: \$11.1m
 - P&L (FY 2022)
 - Depreciation: \$1.4m
 - Interest: \$0.3m
 - Cash flow (FY 2022)
 - Capital element: \$1.2m