



# Full Year Results 2017



# Highlights

Kevin Lyons-Tarr, CEO



# Highlights

<b>Group revenue</b>	<b>Underlying* profit before tax</b>	<b>Underlying* basic EPS</b>
<b>\$627.52m</b> ↑ 12%	<b>\$42.46m</b> ↑ 11%	<b>108.02c</b> ↑ 9%
<b>Net cash</b>	<b>Proposed total regular dividend</b>	<b>Proposed supplementary dividend</b>
<b>\$30.77m</b>	<b>58.10c</b> ↑ 11% (\$) ↑ 2% (£)	<b>60.00c</b>

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

# Financial Review

David Seekings, CFO



# Group Income Statement (Underlying)

	2017	2016	
	\$'000	\$'000	%
Revenue	627,518	558,223	12%
Gross profit	205,219	184,095	11%
<i>Gross profit %</i>	<b>32.70%</b>	32.98%	
Marketing costs	(110,644)	(96,703)	14%
Selling costs	(24,995)	(23,166)	8%
Admin & central costs	(27,000)	(25,849)	4%
<b>Underlying operating profit</b>	<b>42,580</b>	38,377	11%
<i>Operating margin</i>	<b>6.79%</b>	6.87%	
Interest	(122)	(24)	
<b>Underlying profit before tax</b>	<b>42,458</b>	38,353	11%
<b>Underlying EPS</b>	<b>108.02c</b>	99.01c	9%

- Revenue +12%
  - H1 +10.6%; H2 +14.1%
  - US \$608.0m; UK \$19.52m
- Gross profit % remains within a tight range
- Marketing investment continues to drive growth
- Admin & central includes UK Head Office costs: \$3.1m (2016:\$3.9m)
- Operating margin % remains within target range

# Group Income Statement (non-operating)

	2017	2016
	\$'000	\$'000
Underlying profit before tax	42,458	38,353
Share option related charges	(551)	(430)
Exceptional items	(454)	(2,940)
Defined benefit pension admin costs	(291)	(311)
Pension finance charges	(503)	(521)
<b>Profit before tax</b>	<b>40,659</b>	<b>34,151</b>
Tax	(11,734)	(9,672)
<b>Profit after tax</b>	<b>28,925</b>	<b>24,479</b>
<b>Basic EPS</b>	<b>103.15c</b>	<b>87.27c</b>

- Share option charge relates to 2015 Incentive plan and 2016 US & UK SAYE schemes
- Exceptional charge is pension related. 2018 expected to be nil
- DB pension admin costs paid by the scheme
- Effective tax rate (ETR) 29%, (2016: 28%)
- ETR % expected to drop to low 20s in 2018
- Basic EPS +18% ; much lower exceptional charge

# Cash Flow

	2017	2016
	\$'000	\$'000
<b>At start of period</b>	<b>21,683</b>	18,381
Underlying operating profit	42,580	38,377
Depreciation and amortisation	2,512	2,389
Change in working capital	(457)	6,282
Capital expenditure	(2,359)	(3,267)
<b>Operating cash flow</b>	<b>42,276</b>	43,781
Contributions to defined benefit pension	(3,674)	(17,354)
Interest	(122)	(23)
Net tax paid	(12,751)	(9,423)
Own share transactions	(1,359)	(270)
Exceptional items	(57)	(172)
Exchange and other	616	(1,096)
<b>Free cash flow</b>	<b>24,929</b>	15,443
Dividends to Shareholders	(15,845)	(12,141)
<b>Net cash inflow in the period</b>	<b>9,084</b>	3,302
<b>At end of period</b>	<b>30,767</b>	21,683

- Settled depreciation and capex profiles
- Tight control over working capital. 2016 inflow caused by timing around 2015 year end
- 99% cash conversion
- Pensioner buy-out completed
- Purchase of own shares by EBT in 2017
- DPS +11%
- Dividend cover 1.86x (excluding supplementary)

# Balance Sheet

	2017	2016
	\$'000	\$'000
Fixed assets	19,967	20,020
Deferred tax asset	5,912	5,030
	<b>25,879</b>	25,050
Inventories	5,356	4,179
Receivables	46,309	39,766
Payables	(47,675)	(40,363)
	<b>3,990</b>	3,582
Current tax	472	34
Deferred tax liability	(763)	(1,601)
Other liabilities	(146)	(133)
Net cash	30,767	21,683
Pension deficit	(18,106)	(19,290)
	<b>12,224</b>	693
Net assets	<b>42,093</b>	29,325

- Low fixed capital requirements
- Efficient working capital profile
- Pension deficit now stable and reducing
  - De-risking exercise complete
  - Agreed contribution schedule
- ROCE 85% (2016: 82%)



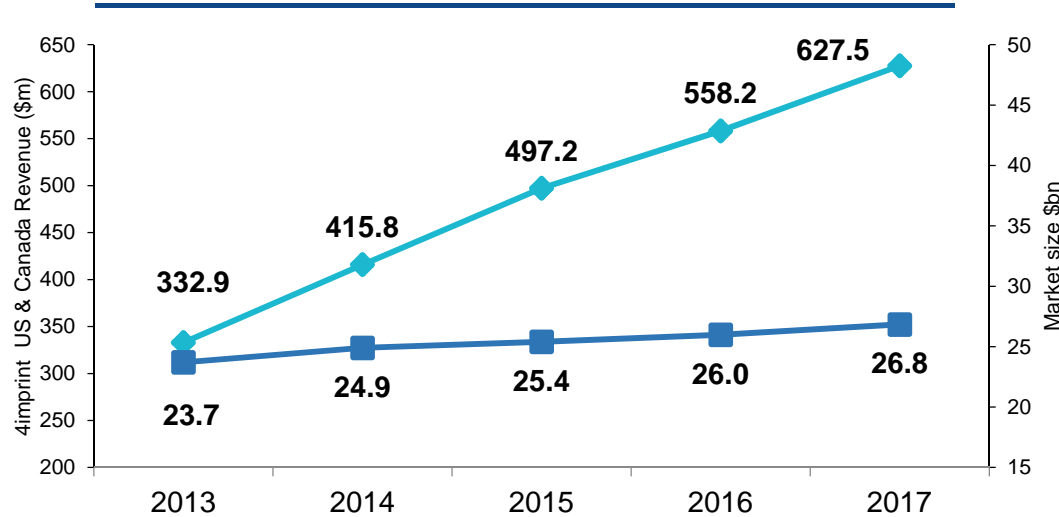
# Operational Review

Kevin Lyons-Tarr, CEO

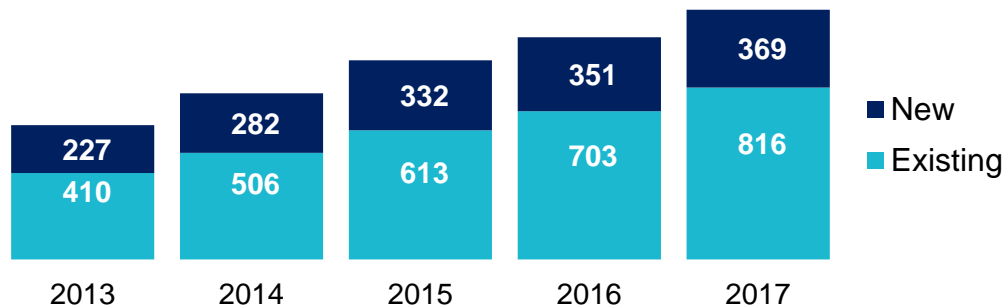


# Market Beating Growth

Growth History - 4imprint v Market



No. of orders recieved ('000)

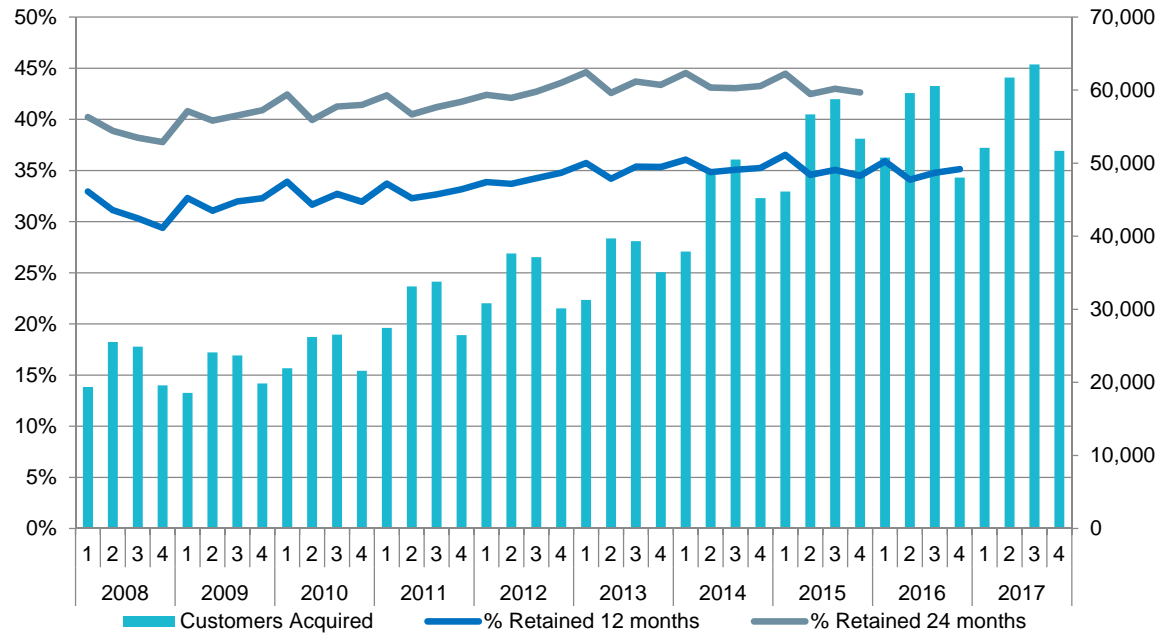


- North America revenue \$608m, +12%
- Industry ~3% (US)
- UK revenue £15m, +16%
- 1,185k total orders received, +12%
- New customer orders +5%; more than 250k new customers acquired
- Existing customer orders +16%



# Marketing Effectiveness

US and Canada Acquired and Retention %



- Total marketing spend +14% at \$110.6m, (2016 \$96.7m)
- Marketing mix continues to evolve
- Online now 45% of total marketing cost; 29% increase in spend over 2016
- Catalogue circulation +4%
- Blue Box™ programme remains effective: >2 million pieces mailed in 2017
- Testing of radio advertising began H2 2017
- Revenue per marketing dollar consistent with strategy

Revenue/Marketing \$



# Evolution of Strategy

Kevin Lyons-Tarr, CEO  
David Seekings, CFO



# Strategic Framework 2012 to 2017

- **Focus on Direct Marketing as the Group's core business**
  - ❑ Attractive market opportunity; **substantial, highly fragmented markets**
  - ❑ Effective business model; organic revenue growth driven by **innovative, disciplined marketing**
  - ❑ Target set to **double revenue** from 2012-2016; **achieved**
  - ❑ Commitment to organic revenue growth **reaffirmed** in 2017
  
- **Capital Allocation**
  - ❑ Pension de-risking **first priority**
    - Use of proceeds of sale of non-core businesses and increasing free cash flow from operations
    - Culminated in full pensioner buy-out at the end of 2016
  - ❑ Regular dividends growing in line with **increasing profitability**
  - ❑ **Unencumbered** financial base for the future

# Strategic Framework 2018-2022

- **Continued focus on organic revenue growth and market leadership**
  - ❑ Existing markets remain **fragmented and attractive**
  - ❑ Direct marketing model remains **relevant and effective**
  - ❑ **\$1bn** revenue target by 2022
- **Evolution and diversification of our marketing portfolio**
  - ❑ Addition of a **4imprint brand awareness** component
    - Includes **traditional broadcast media** and expansion of advertising presence in **digital media**
    - Investment measured over longer time horizon, using familiar **‘test, read, adjust’** approach
  - ❑ Opportunity to increase **‘top of mind’ awareness** in our target market
- **Investing for growth**
  - ❑ Initial P&L investment is incremental; not a reallocation of funds away from **proven marketing activities**
  - ❑ 2018 project cost around **\$7m** set in context of **\$120m+ overall marketing budget**
  - ❑ Investment phase likely to result in **2018 operating profit flat against 2017**; profit growth resumes as branding initiative integrated into marketing portfolio
  - ❑ Business remains **highly cash-generative** throughout

# Balance Sheet & Funding

- **Strong financial foundation**
  - ❑ Cash balance **\$30.8m**
  - ❑ Pension demands now **predictable and small**
  - ❑ **Robust and reliable** free cash flow from operations
  
- **Align funding with strategic objectives**
  - ❑ **Stable, secure and flexible** balance sheet through cycle
  - ❑ Retain a **net cash position**; no intention to leverage the balance sheet
  
- **Financial and operational flexibility**
  - ❑ Continued investment in the business **through different economic cycles**
  - ❑ Act swiftly as **other growth opportunities** arise
  - ❑ Meet **dividend and pension commitments**

# Capital Allocation Guidelines

- **Cash utilisation 2011-2017**

→ *Net debt 1 Jan 2011: (\$0.37m)*

<b>Post-tax free cash flow</b> + \$132.12m	<b>Disposal of non-core businesses</b> + \$48.95m	<b>Pension de-risking &amp; contributions</b> - \$82.11m	<b>Regular dividend payments</b> - \$64.23m	<b>Other (own share transactions &amp; FX)</b> - \$3.59m
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→ *Net cash 30 Dec 2017 \$30.77m*

- **Future capital allocation principles**

<b>Organic growth initiatives</b> <ul style="list-style-type: none"><li>- Capital or P&amp;L</li><li>- Market share opportunities</li><li>- Existing markets</li></ul>	<b>Regular dividend payments</b> <ul style="list-style-type: none"><li>- Increase broadly in line with EPS</li><li>- Regular semi-annual payments</li></ul>	<b>Residual legacy pension funding</b> <ul style="list-style-type: none"><li>- 5 year cash commitment</li><li>- Further de-risking possible</li></ul>	<b>Mergers &amp; acquisitions</b> <ul style="list-style-type: none"><li>- Not a near term priority</li><li>- Opportunities supporting organic growth</li></ul>	<b>Other Shareholder distributions</b> <ul style="list-style-type: none"><li>- Subject to net cash balance requirement</li><li>- Supplementary dividend most likely</li></ul>
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# Outlook

**Our business operations are firmly established in attractive markets.**

**The Group is financially strong, and we have exciting plans for the future.**

**Trading activity in the first few weeks of 2018 has been encouraging.**



# Appendices

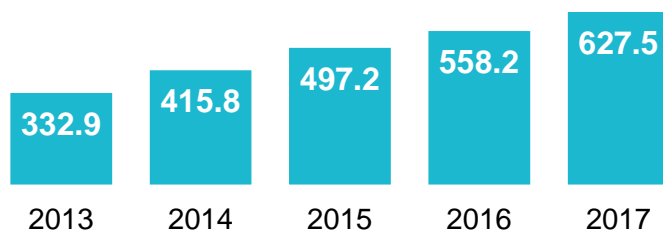


# 2018 Financial Guidance

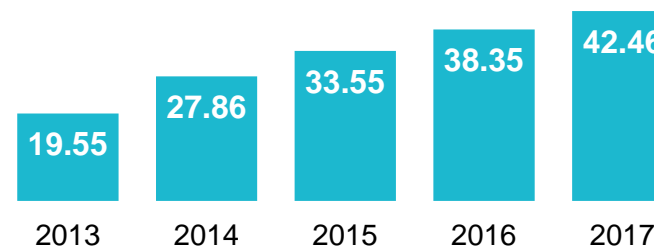
- \$1bn revenue target by 2022 calls for double digit top line growth
- 4imprint brand awareness project in 2018 – around \$7m spend
- Investment phase likely to result in 2018 operating profit flat against 2017
- 2018 revenue split: H1 47%; H2 53%
- 2018 capex c.\$3.0m; depreciation charge c. \$2.7m
- 2018 effective tax rate c. 22% (2017: 29%)
- Share-based payment (IFRS 2) charge \$0.7m in 2018
- EBT share purchases \$0.7m in 2018 (cash)
- Average shares in issue FY 2018 c. 28.04m; fully diluted c. 28.13m
- DB pension plan 2018:
  - No exceptional charge
  - Admin charge in P&L c. \$0.3m
  - Contributions c.\$3.6m
- Proposed dividends:
  - Final and supplementary dividends \$1 per share in total
  - Paid May 2018, total cash cost \$28m

# Results Summary

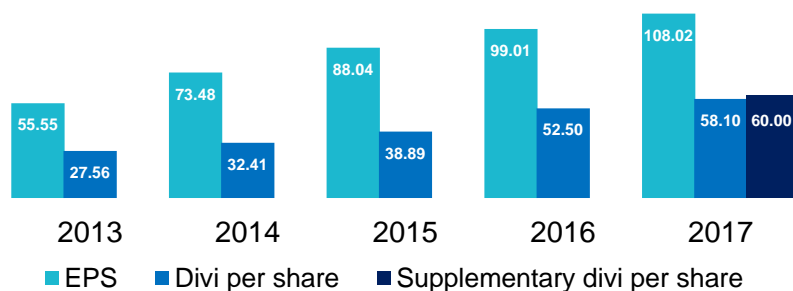
Revenue (\$m)



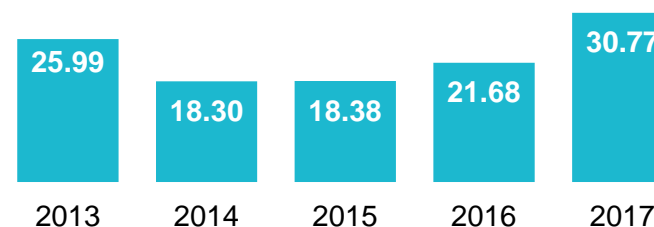
Underlying\* profit before tax (\$m)



Underlying\* EPS and dividend per share (cents)



Net cash - year end (\$m)



Exchange rate FY 2017: 1.29 (FY 2016: 1.35)

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



# Forward Looking Statements

Certain statements in this presentation are or may be construed as forward-looking statements. Any statement in this document that is not a statement of historical fact including, without limitation, those regarding the Group's future expectations, operations, financial performance, financial condition and business is a forward-looking statement. Such forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this presentation. As a result you are cautioned not to place reliance on such forward-looking statements. Nothing in this document should be construed as a profit forecast. Other than as required by applicable law, the Group accepts no obligation to revise or update these forward-looking statements or adjust them to future events or developments.