

# Full Year Results 2018



# Highlights

Kevin Lyons-Tarr, CEO



# Highlights

<b>Group revenue</b>	<b>Underlying*† profit before tax</b>	<b>Underlying*† basic EPS</b>
<hr/>	<hr/>	<hr/>
<b>\$738.42m</b>	<b>\$45.59m</b>	<b>129.77c</b>
↑ 18%	↑ 9%	↑ 22%
<b>Net cash</b>	<b>Proposed total dividend</b>	<b>Total orders</b>
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<b>\$27.48m</b>	<b>70.00c</b>	<b>1,389,000</b>
	↑ 20% (\$) ↑ 25% (£)	↑ 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

	2018	2017	
	\$'000	\$'000	
Revenue	738,418	627,518	18%
Gross profit	236,188	205,219	15%
<i>Gross profit %</i>	31.99%	32.70%	
Marketing costs	(131,232)	(110,644)	19%
Selling costs	(27,850)	(24,995)	11%
Admin & central costs	(30,928)	(27,000)	15%
Share option related charges	(819)	(551)	49%
<b>Underlying operating profit</b>	<b>45,359</b>	42,029	8%
<i>Operating margin</i>	6.14%	6.70%	
Interest	227	(122)	
<b>Underlying profit before tax</b>	<b>45,586</b>	41,907	9%
Exceptional items	(721)	(454)	59%
Defined benefit pension admin costs	(316)	(291)	9%
Pension finance charges	(403)	(503)	-20%
<b>Profit before tax</b>	<b>44,146</b>	40,659	9%
Tax	(8,952)	(11,734)	
<b>Profit after tax</b>	<b>35,194</b>	28,925	22%
<b>Underlying basic EPS</b>	<b>129.77c</b>	106.74c	22%

- Revenue +18%
  - US \$714.56m; UK \$23.86m
  - H1 +17%; H2 +19%
  - New customer orders +14%
- Gross profit % lower than PY
  - Mix of factors H1 v H2
  - Expected to stabilise in 2019
- Marketing +19%
  - Brand investment
  - Yield ahead of expectation
- Gearing from Selling and Admin
- Central costs: \$3.5m (2017: \$3.1m)
- Share option charge now included in underlying; comparatives restated
- Operating margin % within target bandwidth
- Exceptional items pension-related
- Effective tax rate 20% (2017: 29%); benefit from US tax reform
- Strong EPS growth driven by change in tax rate

# Cash Flow

	2018	2017
	\$'000	\$'000
<b>At start of period</b>	<b>30,767</b>	21,683
Underlying operating profit	<b>45,359</b>	42,029
Share option non-cash charges	<b>808</b>	545
Depreciation and amortisation	<b>2,645</b>	2,512
Change in working capital	<b>(3,184)</b>	(457)
Capital expenditure	<b>(2,855)</b>	(2,359)
<b>Operating cash flow</b>	<b>42,773</b>	42,270
Contributions to defined benefit pension	<b>(3,932)</b>	(3,674)
Interest	<b>227</b>	(122)
Net tax paid	<b>(7,844)</b>	(12,751)
Own share transactions	<b>(465)</b>	(1,359)
Exceptional items	<b>(52)</b>	(57)
Exchange and other	<b>(1,006)</b>	622
<b>Free cash flow</b>	<b>29,701</b>	24,929
Dividends to Shareholders	<b>(32,984)</b>	(15,845)
<b>Net cash (outflow)/inflow in the period</b>	<b>(3,283)</b>	9,084
<b>At end of period</b>	<b>27,484</b>	30,767

- 94% operating cash conversion
- Depreciation and capex profiles stable and typically low
- Working capital requirements remain modest
- DB pension contributions stable
- Less tax paid due to US tax reform
- Own share transactions relate to EBT share purchases net of proceeds from options exercised
- Supplementary dividend of 60c per share (\$16.3m) paid May 2018
- Dividend cover 1.85x

# Balance Sheet

	2018	2017
	\$'000	\$'000
Fixed assets	20,096	19,967
Deferred tax asset	5,636	5,912
	<b>25,732</b>	25,879
Inventories	9,878	5,356
Receivables	46,228	46,309
Payables	(50,252)	(47,675)
	<b>5,854</b>	3,990
Current tax	144	472
Deferred tax liability	(931)	(763)
Other liabilities	-	(146)
Net cash	27,484	30,767
Pension deficit	(15,016)	(18,106)
	<b>11,681</b>	12,224
Net assets	<b>43,267</b>	42,093

- Fixed capital requirements remain low
- Net working capital profile as expected
- Implementation of IFRS15 causing reclassification between working capital captions in 2018. No net cash implication
- Pension deficit reducing as planned
- Net cash \$27.48m meeting balance sheet funding policy requirements
- ROCE 84% (2017: 85%)

# Operational Review

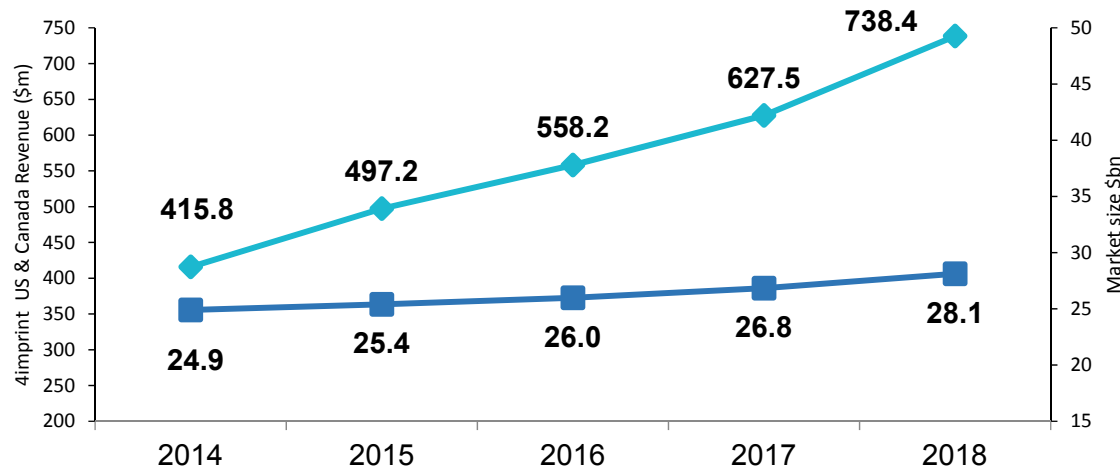
Kevin Lyons-Tarr, CEO



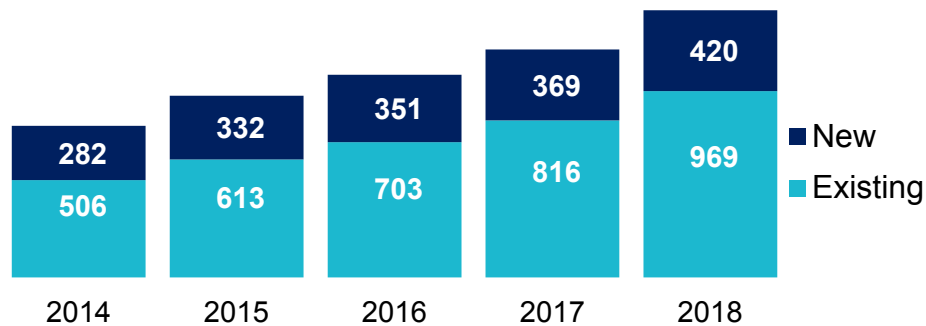


# Market Beating Growth

Growth History - 4imprint v Market



No. of orders received ('000)

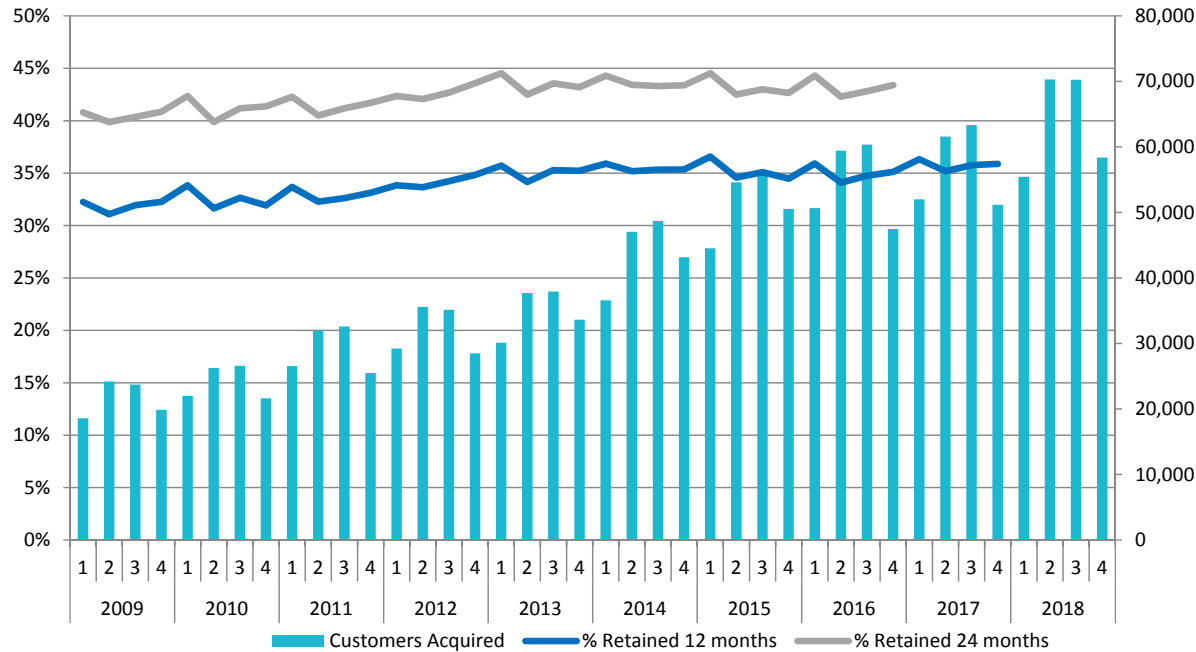


- North America revenue \$715m, +18%
- Industry ~5% (US)
- UK revenue £18m, +18%
- 1,389k total orders received, +17%
- New customer orders +14%, (2017: +5%), more than 279k new customers acquired
- Existing customer orders +19%



# Marketing Effectiveness

## US and Canada Acquired and Retention %



## Revenue/Marketing \$



- Total marketing spend +19% at \$131.2m, (2017: \$110.6m)
- \$7m incremental investment in brand marketing
- Online now 43% of total marketing cost; 15% increase in spend over 2017
- Catalogue circulation levelling off
- Retention driven by Blue Box™ programme: >2.5 million pieces mailed in 2018
- Revenue per marketing dollar performance above expectations given brand investment

# Marketing Evolution

- **Brand initiative off to a good start**
  - Increase in direct web traffic
  - Increase in searches/interest in “4imprint”
  - New customer orders ahead of forecast
  - Improving ability to understand the impact of TV and radio campaigns



- **Marketing portfolio optimisation**
  - Brand development gives broader base and more flexibility
  - Identify impact of increasing the brand budget
  - Further evaluation/testing of results in 2019
  - Continue to rebalance the marketing mix across brand, online and print



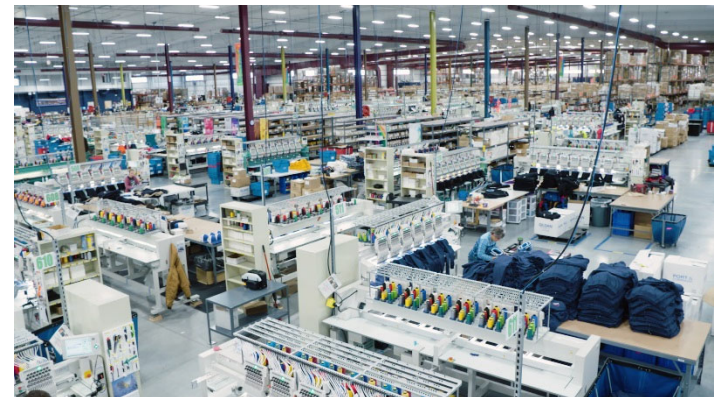
# Operational Highlights



- **Growth in the apparel category**
  - Revenue growth FY +27%; Q4 +30%
  - Largest category in the US industry (≈35% of total)
  - 4imprint still under-penetrated (19% of total revenue)
  - Apparel customers have strong retention characteristics

- **DC expansion**

- One year ahead of plan
- Embroidery operation key driver: > 600 embroidery heads and growing
- Expansion of Oshkosh facility:
  - *Additional 80,000 sq. ft., giving total of 300,000 sq. ft.*
  - *\$5m capital cost in 2019; completion mid-year*



# Outlook

**Our business model is highly focused and our market opportunity remains substantial.**

**The successful initial execution of the brand building initiative in 2018 leaves the Group in a good position to meet its strategic goals.**

**Trading results in the first few weeks of 2019 have been encouraging.**



# Appendices

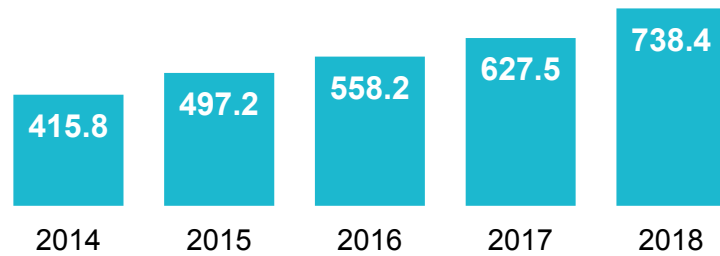


# 2019 Financial Guidance

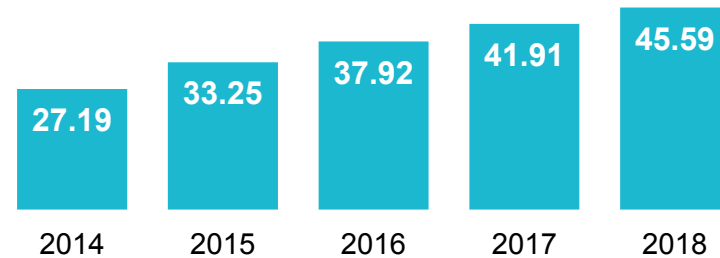
- \$1bn revenue target by 2022 calls for double digit top line growth
- 2019 revenue split (approximate): H1 47%; H2 53%
- 2019 capex c.\$8.7m; includes \$5.0m for Oshkosh DC expansion
- Depreciation charge c. \$2.9m
- 2019 effective tax rate c. 21% (2018: 20%)
- Share-based payment (IFRS 2) charge \$0.9m in 2019
- EBT share purchases \$2.0m in 2019 (cash)
- Average shares in issue FY 2019 c. 28.04m; fully diluted c. 28.13m
- DB pension plan 2019:
  - No exceptional charge anticipated
  - Admin charge in P&L c. \$0.3m
  - Contributions c.\$3.5m
- Proposed dividends:
  - 2018 final dividend 49.20c per share
  - Payable May 2019, cash cost \$13.8m

# Results Summary

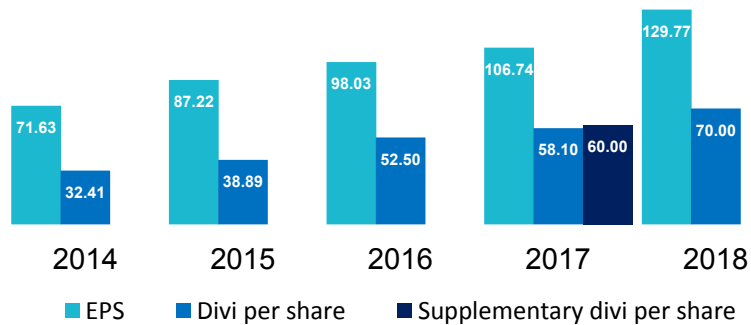
Revenue (\$m)



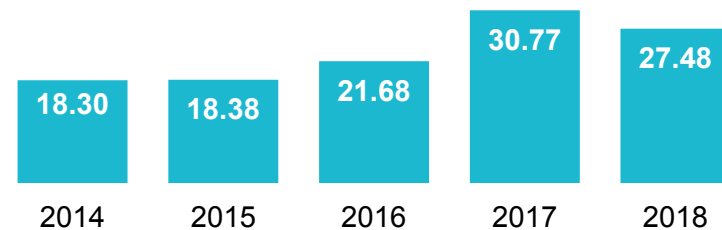
Underlying\*† profit before tax (\$m)



Underlying\*\* EPS and dividend per share (cents)



Net cash - year end (\$m)



Exchange rate FY 2018: 1.34 (FY 2017: 1.29)

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

†Underlying has been restated to include share option charges

