

# Half Year Results 2019



# 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>\$405.06m</b>	<b>\$19.79m</b>	<b>55.81c</b>
↑ 16%	↑ 21%	↑ 21%
<b>Net cash</b>	<b>Interim dividend</b>	<b>Total orders</b>
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<b>\$42.66m</b>	<b>25.00c</b>	<b>778,000</b>
	↑ 20% (\$) ↑ 29% (£)	↑ 14%

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

# Financial Review

David Seekings, CFO



# Group Income Statement

	H1 2019	H1 2018		FY 2018
	\$'000	\$'000	%	\$'000
Revenue	<b>405,057</b>	348,331	16%	738,418
Gross profit	<b>131,666</b>	112,867	17%	236,188
<i>Gross profit %</i>	<b>32.51%</b>	32.40%		31.99%
Marketing costs	<b>(79,176)</b>	(68,003)	16%	(131,232)
Selling costs	<b>(15,315)</b>	(13,607)	13%	(27,850)
Admin & central costs	<b>(17,240)</b>	(14,677)	17%	(30,928)
Share option related charges	<b>(507)</b>	(317)	60%	(819)
<b>Underlying operating profit</b>	<b>19,428</b>	16,263	19%	45,359
<i>Operating margin</i>	<b>4.80%</b>	4.67%		6.14%
Interest	<b>364</b>	36	911%	227
<b>Underlying profit before tax</b>	<b>19,792</b>	16,299	21%	45,586
Exceptional items	-	-		(721)
Defined benefit pension admin costs	<b>(144)</b>	(151)	-5%	(316)
Pension finance charges	<b>(203)</b>	(219)	-7%	(403)
<b>Profit before tax</b>	<b>19,445</b>	15,929	22%	44,146
Tax	<b>(4,083)</b>	(3,345)	22%	(8,952)
<b>Profit after tax</b>	<b>15,362</b>	12,584	22%	35,194
<b>Underlying EPS</b>	<b>55.81c</b>	46.03c	21%	129.77c

- Revenue +16%
  - US \$394m; UK \$11m
  - Growth all organic
- Gross profit % stable
- Marketing driving growth
  - Integration of brand element
  - Good overall yield on marketing spend
- Gearing from selling costs
- Admin costs reflect investment in senior management and incentive compensation accruals
- Operating margin % slightly improved; within target range
- Effective tax rate 21% (H1 2018: 21%)
- EPS increase driven primarily by revenue growth

# Cash Flow

	H1 2019	H1 2018	FY 2018
	\$'000	\$'000	\$'000
<b>At start of period</b>	<b>27,484</b>	30,767	30,767
Underlying operating profit	19,428	16,263	45,359
Share option non-cash charges	502	314	808
Depreciation and amortisation	1,347	1,289	2,645
Amortisation of right of use assets	750	-	-
Change in working capital	17,577	12,221	(3,184)
Capital expenditure	(4,176)	(1,171)	(2,855)
<b>Operating cash flow</b>	<b>35,428</b>	28,916	42,773
Contributions to defined benefit pension	(1,661)	(1,897)	(3,932)
Interest	364	36	227
Tax paid	(3,255)	(1,927)	(7,844)
Own share transactions	(1,281)	(1,410)	(465)
Capital element of lease payments	(821)	-	-
Exchange and other	(85)	(840)	(1,058)
<b>Free cash flow</b>	<b>28,689</b>	22,878	29,701
Dividends to Shareholders	(13,513)	(27,136)	(32,984)
<b>Net cash inflow/(outflow) in the period</b>	<b>15,176</b>	(4,258)	(3,283)
<b>At end of period</b>	<b>42,660</b>	26,509	27,484

- Typically strong H1 cash performance
- IFRS 16 adopted; no cash implication
- Capex includes \$3m for Oshkosh DC expansion project
- Working capital movement in line with expectations
- DB pension contributions stable
- Tax paid is US Federal/State
- Own share transactions relate to EBT share purchases
- Supplementary dividend of 60c/share paid May 2018

# Balance Sheet

	H1 2019	H1 2018	FY 2018
	\$'000	\$'000	\$'000
Fixed assets	<b>22,929</b>	19,820	20,096
Right of use assets	<b>1,108</b>	-	-
Deferred tax asset	<b>5,651</b>	5,599	5,636
	<b>29,688</b>	25,419	25,732
Inventories	<b>11,572</b>	9,603	9,878
Receivables	<b>48,212</b>	40,518	46,228
Payables	<b>(71,517)</b>	(59,634)	(50,252)
	<b>(11,733)</b>	(9,513)	5,854
Current tax	<b>(183)</b>	(375)	144
Deferred tax liability	<b>(1,120)</b>	(777)	(931)
Other assets/(liabilities)	-	(135)	-
Cash	<b>42,660</b>	26,509	27,484
Lease liabilities	<b>(1,285)</b>	-	-
Pension deficit	<b>(15,046)</b>	(16,757)	(15,016)
	<b>25,026</b>	8,465	11,681
Net assets	<b>42,981</b>	24,371	43,267

- Cash \$42.66m; no debt
- DC expansion cost of \$3m in fixed assets
- Net negative working capital profile as expected at half year
- IFRS 16 'Leases' implemented
  - Modified retrospective approach applied
  - Minimal effect
- Pension liability remains stable
  - Legacy plan
  - Funding rate continues to improve

# Operational Review

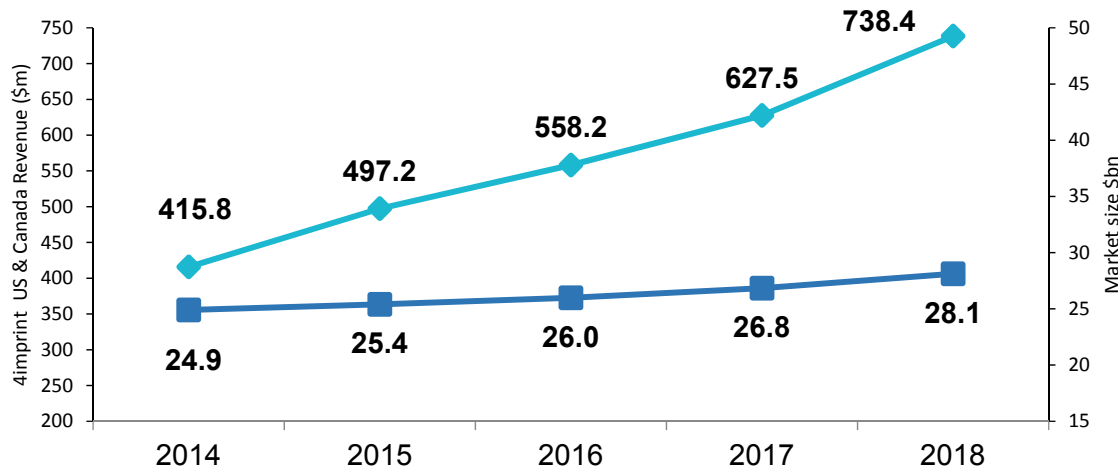
Kevin Lyons-Tarr, CEO



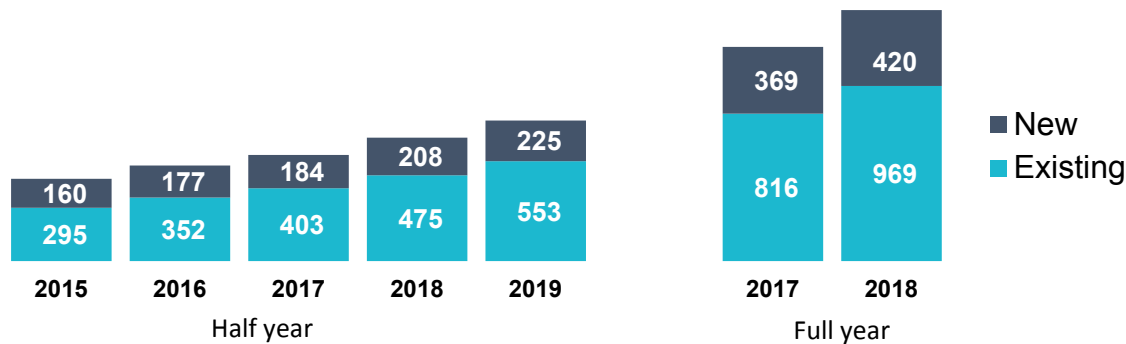


# Market Beating Growth

Growth History - 4imprint v Market



No. of orders received ('000)

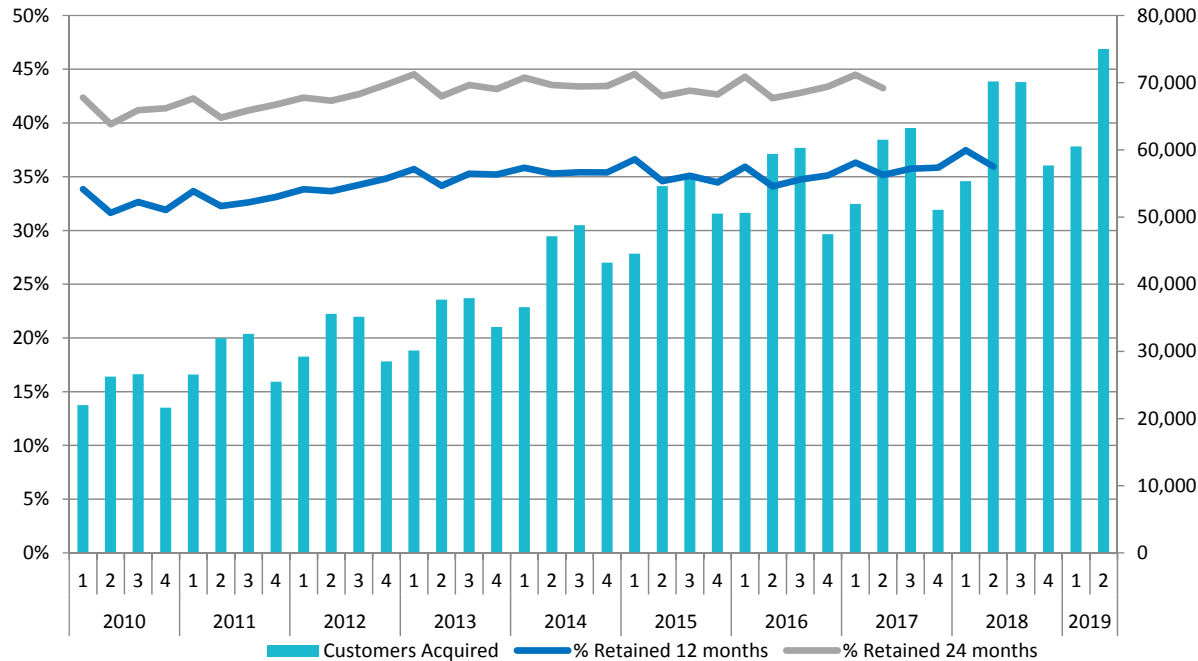


- Continued strength in North America - revenue \$394m, +17%
- Industry sales up 4-5% (US)
- UK revenue \$11m, -3% (+3% in £)
- 778k total orders received, +14%
- New customer orders +8%, (2018 HY: +13%), 147k new customers acquired
- Existing customer orders +16%



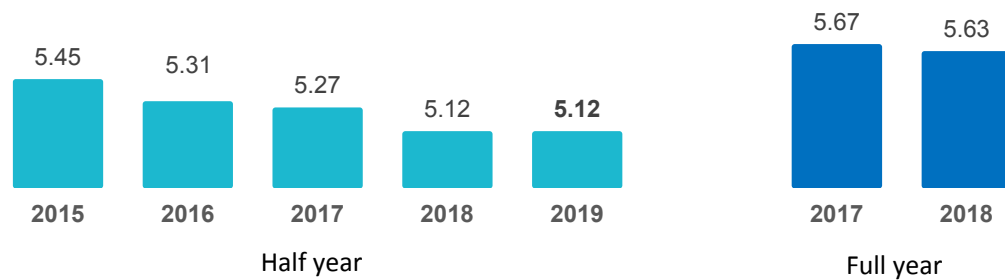
# Marketing Effectiveness

## US and Canada Acquired and Retention %



- Total marketing spend +16% at \$79.2m, (2018: \$68.0m)
- Increasing investment in brand marketing after successful launch in 2018
- Online 40% of total marketing cost; 8% increase in spend over 2018
- Print circulation flat
- Existing customer marketing producing reliable and slightly improving retention results
- Revenue per marketing dollar flat against prior year

## Revenue/Marketing \$



# Marketing Evolution

- **Brand initiative update**
  - Strong results continue:
    - Online interest in “4imprint”
    - Direct web traffic
    - New customer orders
  - Brand an increasing part of the mix
  - Analytics/understanding improving



- **Current projects**
  - New TV creative launched July 2019
  - Active testing of effects of brand marketing
  - Rebalance the mix between brand, online and print

# Facilities

- **Oshkosh Distribution Centre**
  - Growing embroidery operation
  - 85,000 sq. ft. expansion, (300,000 sq. ft. in total)
  - \$5m capital spend
  - Operational August 2019
  - On time, on budget



- **Oshkosh office facilities**
  - Larger footprint required due to growth
  - Current lease ends March 2020
  - Reviewing options to take care of future growth
    - Develop existing or new facility in Oshkosh
    - Consider additional geographical location in North America

# Outlook

The Group has a clear strategic direction, a proven business model and an attractive market opportunity.

An encouraging first half performance gives the Board confidence that the full year results will be slightly above current market consensus forecasts.





# Appendices

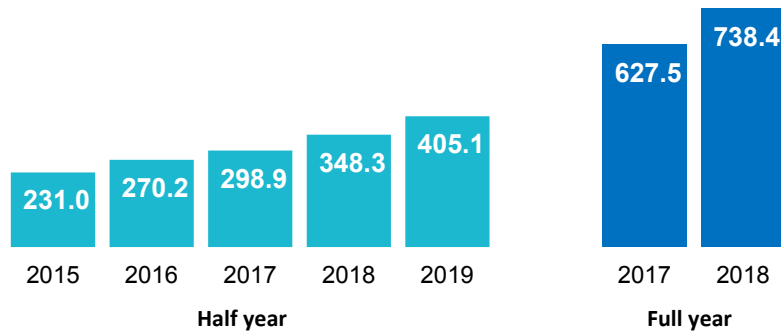


# 2019 Financial Guidance

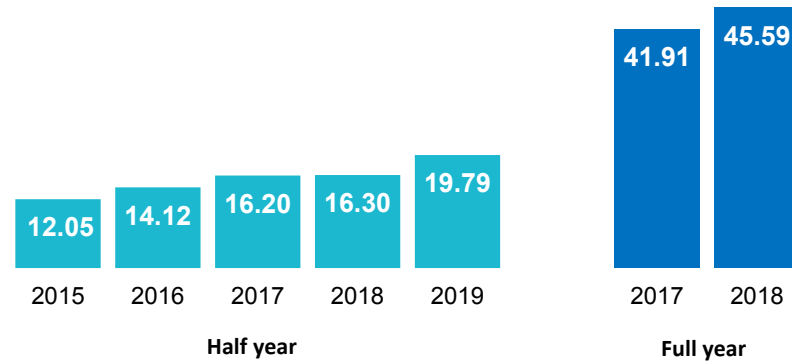
- 2019 Capex c.\$8.7m; includes \$5.0m for Oshkosh DC expansion
- Depreciation charge c. \$2.9m
- 2019 effective tax rate c. 21%
- IFRS 2 'Share-based payments' charge \$1.0m in 2019
- EBT share purchases \$2.5m in 2019 (cash)
- Average shares in issue FY 2019 c. 28.03m; fully diluted c. 28.12m
- DB pension plan 2019:
  - Admin (P&L) charge c. \$0.4m
  - Contributions c.\$3.5m
- 2019 interim dividend cash cost c.\$7.0m; paid September 2019
- IFRS 16 (current lease arrangements)
  - Balance sheet (December 2019)
    - Right of use assets: \$0.4m
    - Lease liability: \$0.4m
  - Profit & loss (FY 2019)
    - Amortisation: \$1.5m
    - Interest: \$0.1m

# Results Summary

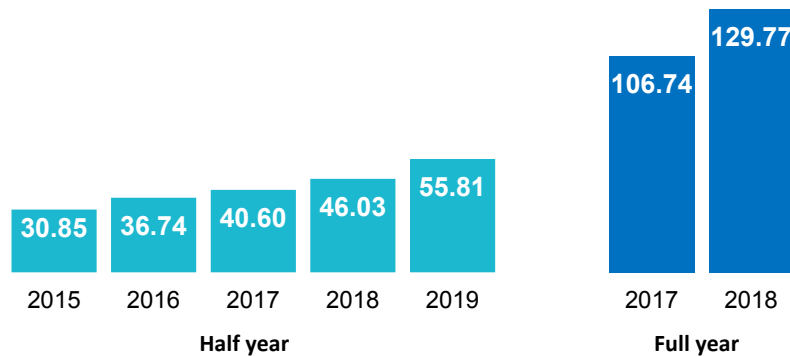
Revenue (\$m)



Underlying\*† profit before tax (\$m)



Underlying\*† EPS (cents)



Ordinary dividend per share (cents)



Exchange rate H1 2019: 1.29 (H1 2018: 1.38; FY 2018: 1.34)

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

†Underlying has been restated to include share option charges

