

Half Year Results 2021



Overview

Kevin Lyons-Tarr, CEO



Results Summary

Revenue

\$326.81m

↑ 23%

Underlying* profit before tax

\$3.55m

2020 HY: \$0.25m

Underlying* basic EPS

9.65c

2020 HY: 0.73c

Cash

\$52.80m

2020 FY: \$37.49m

Interim dividend

15.00 cents

2020 HY: Nil

*Underlying is before defined benefit pension charges



Financial Review

David Seekings, CFO



Group Income Statement

	H1 2021	H1 2020		FY 2020
	\$'000	\$'000	%	\$'000
Revenue	326,808	265,808	23%	560,040
Gross profit	95,606	77,284	24%	157,936
<i>Gross profit %</i>	29.25%	29.08%		28.20%
Marketing costs	(59,889)	(47,157)	27%	(92,880)
Selling costs	(15,427)	(15,211)	1%	(30,784)
Admin & central costs	(16,196)	(14,362)	13%	(29,246)
Share option related charges	(327)	(422)	-23%	(634)
Underlying operating profit	3,767	132		4,392
<i>Operating margin</i>	1.15%	0.05%		0.78%
Interest	(213)	121		(25)
Underlying profit before tax	3,554	253		4,367
Defined benefit pension admin costs	(172)	(165)		(420)
Pension finance charges	(15)	(62)		(104)
Profit before tax	3,367	26		3,843
Tax	(808)	(5)		(753)
Profit after tax	2,559	21		3,090
Underlying basic EPS	9.65c	0.73c		12.55c
Basic EPS	9.12c	0.07c		11.03c

- Revenue +23%
 - Strong recovery from pandemic
 - US \$321.7m; UK \$5.1m
- Gross profit +24%
 - Margin % steady YOY
 - ~ 3% lower than pre-pandemic level in H1 2019
- Marketing costs +27%
 - Recalibrated marketing portfolio taking shape
 - 2020 comparative reflects substantial spend reduction
- Overheads +7%
 - Selling costs flat YOY
 - Admin 2020 cost includes benefit of job retention credits under US CARES Act ~ \$3.6m
 - Central costs \$1.9m (2020: \$1.7m)
- Operating margin and EPS reflect improving financial results
- Effective tax rate 24%

Cash Flow

	H1 2021	H1 2020	FY 2020
	\$'000	\$'000	\$'000
At start of period	39,766	41,136	41,136
Underlying operating profit	3,767	132	4,392
Share option non-cash charges	321	415	625
Depreciation and amortisation	1,763	1,646	3,435
Depreciation of right-of-use assets	672	819	1,498
Change in working capital	11,316	9,185	6,592
Capital expenditure	(963)	(3,327)	(3,817)
Operating cash flow	16,876	8,870	12,725
Contributions to defined benefit pension	(2,069)	(10,909)	(13,278)
Interest	(220)	121	(13)
Tax paid	(820)	(141)	(507)
Own share transactions	(301)	(212)	941
Capital element of lease payments	(554)	(811)	(1,418)
Exchange and other	124	(560)	180
Free cash flow	13,036	(3,642)	(1,370)
Dividends to Shareholders	-	-	-
Net cash inflow/(outflow) in the period	13,036	(3,642)	(1,370)
At end of period	52,802	37,494	39,766

- Typically robust H1 cash conversion
- Working capital inflow reflects usual H1 seasonality
- Capex minimised in 2021 plan to conserve cash
- H1 2020 pension contributions include \$9.1m 'lump sum' payment
- Own share transactions relate to EBT share purchases and option proceeds
- No dividends paid in 2020 to preserve liquidity; interim dividend declared for H1 2021, to be paid September 2021

Balance Sheet

	H1 2021	H1 2020	FY 2020
	\$'000	\$'000	\$'000
Fixed assets	25,141	27,142	25,932
Right-of-use assets	12,395	1,164	13,065
Deferred tax assets	3,857	3,553	4,272
	41,393	31,859	43,269
Inventories	12,646	8,625	11,271
Receivables	48,652	31,400	36,799
Payables	(74,110)	(44,067)	(49,569)
	(12,812)	(4,042)	(1,499)
Current tax	2,449	1,233	1,544
Deferred tax liabilities	(1,478)	(624)	(1,193)
Cash	52,802	37,494	39,766
Lease liabilities	(12,652)	(1,234)	(13,206)
Pension deficit	(2,244)	(3,509)	(3,310)
	38,877	33,360	23,601
Net assets	67,458	61,177	65,371

- Fixed asset expenditure minimal
- Net negative working capital; typical at half year
- IFRS 16: Right-of-use asset and Lease liabilities relate to Oshkosh office lease
- Pensions
 - Close to full funding on IAS 19
 - Objective is to fund at a rate to be 'buy-out ready' by mid-2024
- Strong financial position
 - Cash \$52.80m; no debt
 - Undrawn, committed \$20m US line of credit

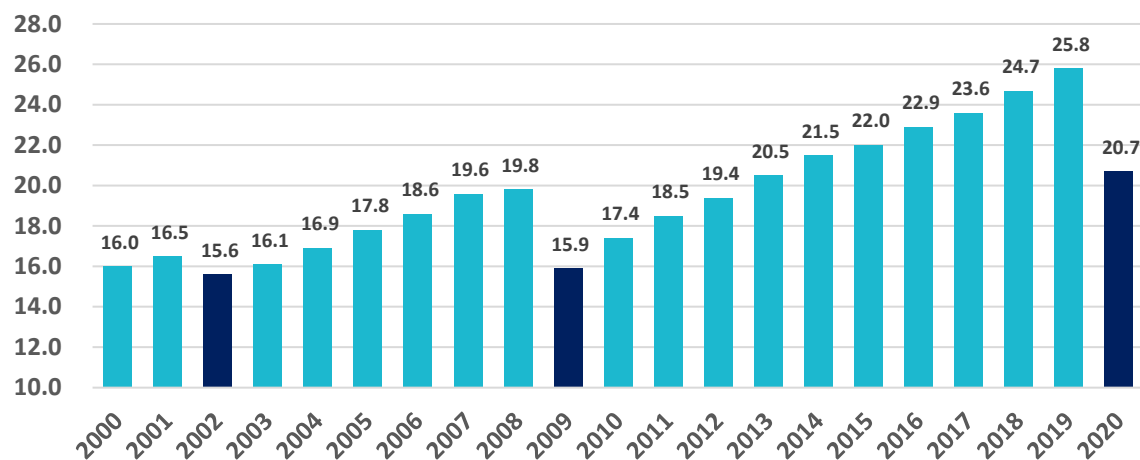
Operational Review

Kevin Lyons-Tarr, CEO



Market

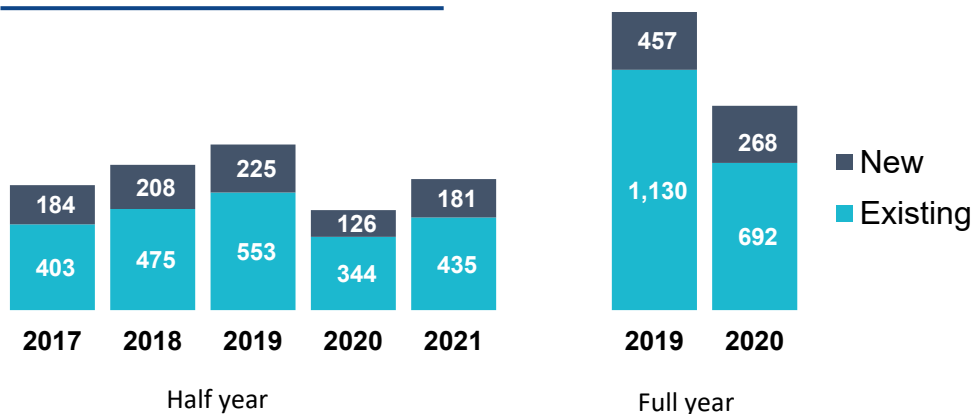
ASI Industry Sales North America 2000 - 2020 \$bn



Source: ASI 2020 = ASI estimate

- 2020 industry sales of \$20.7bn include \$6.0bn of PPE, a significant amount of which is unlikely to recur
- Largest market decline in recent history; underlying sales of traditional promotional products in 2020 down by ~ 40% vs. 2019

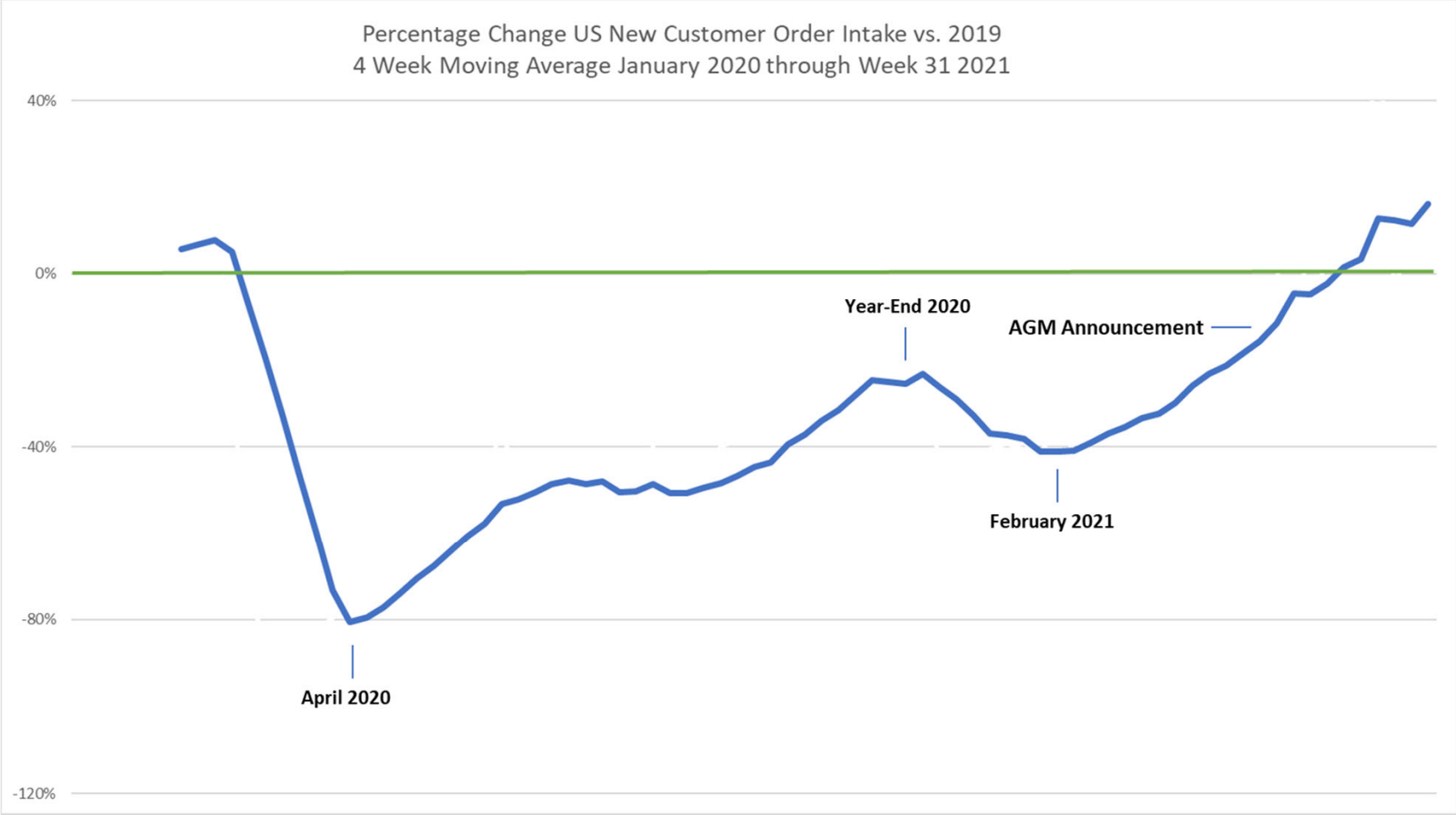
No. of orders received ('000)



- 616k total orders received
- New customer order intake in US now running above 2019 levels
- New vs. existing customer split slightly tipped towards new; existing customer orders impacted by:
 - Reduced customer acquisition in 2020
 - Demand effect on customers acquired pre-pandemic

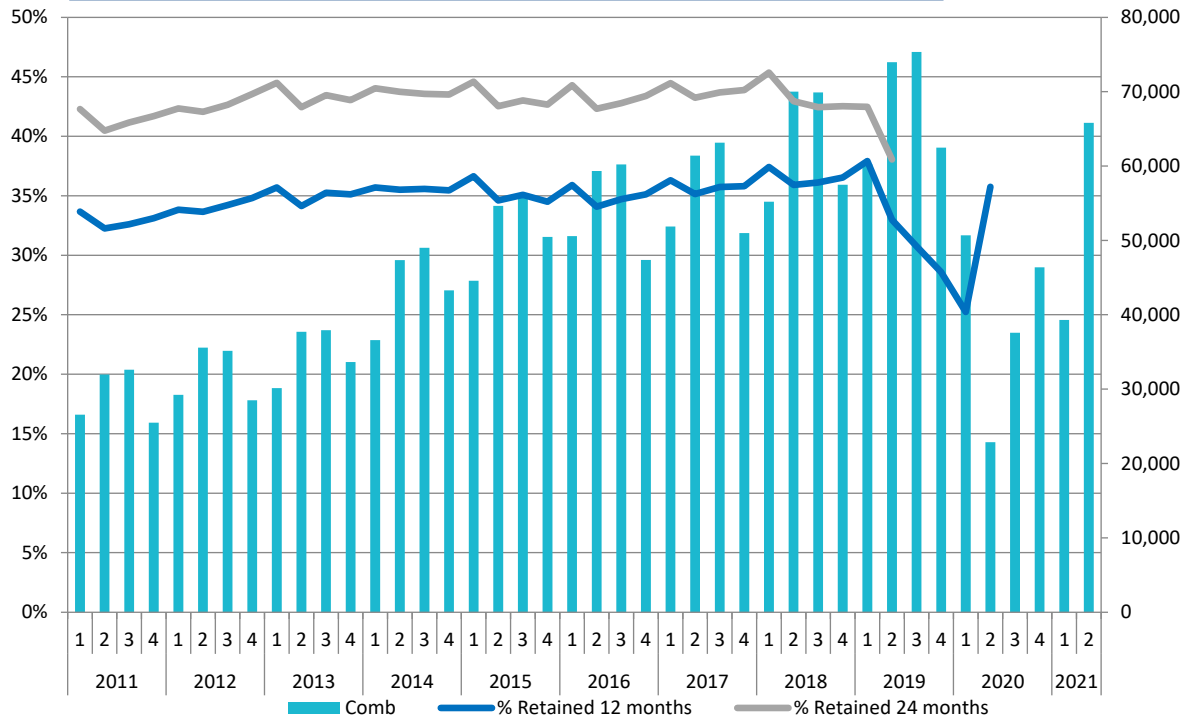


New Customer Order Intake Signals Recovery and Resilience



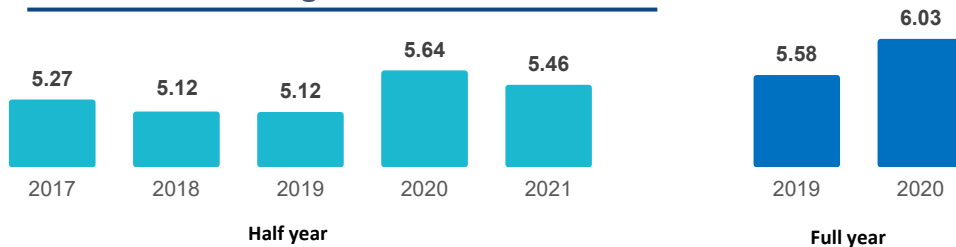
Marketing – Investing for Growth

US and Canada Acquired and Retained %



- Total H1 marketing spend +27% at \$59.9m (2020: \$47.2m; 2019: \$79.2m)
- Marketing mix significantly changed from historical blend:
 - Direct mail now a smaller portion of the total than online or brand; significant change given direct marketing heritage
 - Catalogue circulation down more than 65% vs. 2019 levels
 - Strategic addition of brand element in 2018 generating anticipated benefits
 - Online spend increasing to capitalise on 'in market' demand
- Revenue per marketing dollar performance encouraging given scope of marketing adjustments
- Quarterly new customer acquisition showing recovery
- Retention metrics show customers acquired during downturn were within the target profile
- Recent brand awareness study shows stable double-digit unaided awareness vs. summer 2020 (single digit at same point in 2019); aided up by more than 20% vs. summer 2020

Revenue/Marketing \$



Operational Update

Supply chain

- Stress to the industry supply chain presenting largest challenges for the second half.
 - Logistics challenges manifest themselves in delayed inventory arrivals and significant cost pressure. The situation is likely transient, but unlikely to resolve until some time in 2022.
 - Labour challenges manifest themselves in production time delays due to lack of adequate resource and cost pressure as wages rise. This is likely to be a permanent shift.
 - We are working closely with our long-standing key supplier partners to provide the best possible service in keeping with our brand promise and to collaborate creatively on the upward cost pressures. We are confident these are manageable and potentially create real opportunities, but this will take some time as we monitor changes in the market, the pandemic/macro-economic situation and consumer behaviour.

Operational Update

Product mix

- Order intake on top 3 categories (apparel, bags, drinkware) now running above 2019 levels in the US. Apparel continues to perform well above other categories and has been running above 2019 order intake levels from March 2021 onwards.
- Tradeshow and Tech continue to be most impacted by the pandemic (items in the tradeshow category were down by 80% at points during the crisis); Tradeshow has begun to rebound, narrowing in July 2021 to a small single digit decline vs. July 2019.
- Oshkosh DC production increasing rapidly in response to improving demand:
 - 2.1m units embroidered in H1 2021, (+75% vs. 2020; +6% vs. 2019).
 - DTG printers installed at the onset of the pandemic now more fully utilised. Nearly 200k units printed in H1 2021; this will increase further as we build on our expertise.

Team

- Our 'people first' approach to the crisis has put us in a strong position for the long-term, but also essential for our near term ability to capitalise on the opportunity created by a recovery.
- Now adding to the team to support increasing demand. A very tight labour market is creating some challenges in the near term, although our reputation as workplace of choice has helped mitigate some of this.
- Recently named a best place to work for Millennials (US) by the Great Place to Work Institute.

Outlook

The Group has remained in a strong financial position throughout the COVID-19 pandemic. This has permitted management to make a series of sound business decisions, always in alignment with the Group's culture and purpose and with a view towards the long-term.

The benefit of these decisions is reflected in recent demand activity; total orders are now running at or higher than pre-pandemic levels as the recovery takes shape in the markets we serve.

We are cognisant of the challenges that the pandemic still presents. In particular, the potential risks posed by virus variants, product availability issues and pressure on operating margins in the second half of the year mean that a range of outcomes is possible. Equally, we are confident in our ability, over time, to turn these challenges into opportunities.

The Board is confident that the Group's markets remain highly attractive and addressable, and that the core strength of its flexible business model and competitive positioning will allow it to return to its pre-COVID-19 organic growth profile.



Q&A



Appendix 1 - Financial Guidance

- Capex: \$3.4m
 - Depreciation charge (non-IFRS 16): \$3.6m
 - Effective tax rate: 24%
 - IFRS 2: share-based payments: \$0.8m
 - Own share transactions: \$0.8m
 - 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 2021): \$4.2m
- IFRS 16 – leases
 - Balance sheet (Dec 2021)
 - Right of use assets: \$11.7m
 - Lease liability: \$12.1m
 - P&L (FY 2021)
 - Depreciation: \$1.3m
 - Interest: \$0.4m
 - Cash flow (FY 2021)
 - Capital element: \$1.1m