

Full Year Results 2021



Highlights

Kevin Lyons-Tarr, CEO



Full Year Results 2021



Results Summary

Revenue

\$787.32m

↑ 41%

Operating profit

\$30.65m

↑ 672%

Basic EPS

80.46c

↑ 629%

Cash

\$41.59m

2020: \$39.77m

Proposed total dividend

45.00c

2020: Nil

Financial Review

David Seekings, CFO



Group Income Statement

	2021	2020	
	\$'000	\$'000	
Revenue	787,322	560,040	41%
Gross profit	226,023	157,936	43%
<i>Gross profit %</i>	28.71%	28.20%	
Marketing costs	(127,530)	(92,880)	37%
Selling costs	(32,167)	(30,784)	4%
Admin & central costs	(34,732)	(29,246)	19%
Share option related charges	(607)	(634)	-4%
Defined benefit pension admin costs	(341)	(420)	-19%
Operating profit	30,646	3,972	672%
<i>Operating margin</i>	3.89%	0.78%	
Interest	(402)	(25)	
Pension finance charges	(15)	(104)	
Profit before tax	30,229	3,843	687%
Tax	(7,643)	(753)	
Profit after tax	22,586	3,090	631%
Basic EPS	80.46c	11.03c	629%

- Revenue +41%
 - H1 +23%; H2 +57%
 - US \$773.7m; UK \$13.6m
- Gross profit +43%
 - Small recovery over 2020 GP %
 - Product cost inflation offset by careful price adjustments
- Marketing costs +37%
 - Marketing mix re-shaped successfully
 - Revenue per marketing dollar improved YOY
- Overheads + 11%
 - Selling costs (mainly payroll) +4%
 - Admin in 2020 includes US job retention credits of ~ \$4m
 - Central costs \$3.5m (2020: \$3.2m)
 - DB pension admin costs now included in operating profit
- Operating margin %
 - Strong recovery reflects improved trading performance in 2021
- Effective tax rate 25%

Cash Flow

	2021 \$'000	2020 \$'000
At start of period	39,766	41,136
Operating profit	30,646	3,972
Share option non-cash charges	602	625
Pension admin costs	340	420
Depreciation and amortisation	3,674	3,435
Amortisation of right-of-use assets	1,340	1,498
Change in working capital	(13,756)	6,592
Capital expenditure	(3,465)	(3,817)
Operating cash flow	19,381	12,725
Contributions to defined benefit pension	(4,589)	(13,278)
Interest	(409)	(13)
Net tax paid	(6,414)	(507)
Own share transactions	(843)	941
Capital element of lease payments	(1,117)	(1,418)
Exchange and other	(52)	180
Free cash flow	5,957	(1,370)
Dividends to Shareholders	(4,134)	-
Net cash inflow/(outflow) in the period	1,823	(1,370)
At end of period	41,589	39,766

- Recovery in operating profit primary influence YOY
- Cash conversion lower than usual, reflecting:
 - 53rd week 2020 year-end
 - Supply chain issues resulting in working capital build in Q4 2021
- Capex is broadly offset by depreciation
- 2020 pension contributions include \$9.1m 'lump sum' payment
- Tax outflow in line with profitability
- Dividend programme re-introduced; Interim dividend paid in September 2021

Balance Sheet

	2021	2020
	\$'000	\$'000
Fixed assets	25,712	25,932
Right-of-use assets	11,725	13,065
Deferred tax assets	600	4,272
Retirement benefit asset	1,974	-
	40,011	43,269
Inventories	20,559	11,271
Receivables	63,589	36,799
Payables	(71,877)	(49,569)
	12,271	(1,499)
Current tax	2,034	1,544
Deferred tax liabilities	(850)	(1,193)
Cash	41,589	39,766
Lease liabilities	(12,089)	(13,206)
Retirement benefit obligations	-	(3,310)
	30,684	23,601
Net assets	82,966	65,371

- Capital expenditure \$3.5m, including:
 - \$1.3m IT equipment, including WFH hardware
 - \$1.2m further embroidery capacity
- Reduction in deferred tax asset due to movement on pension and tax losses
- Pension balance moved in 2021 from a net liability to a net asset position (IAS 19 basis)
 - Ongoing contributions ~\$4m/year
 - Aim to be 'buy-out ready' by mid-2024
- Working capital higher than typical:
 - Apparel increasing as a proportion of the overall product mix
 - Supply chain issues in Q4 contributing to larger than usual order backlog
- Financing
 - Cash \$41.6m; no debt
 - Strong financial position

Operational Review

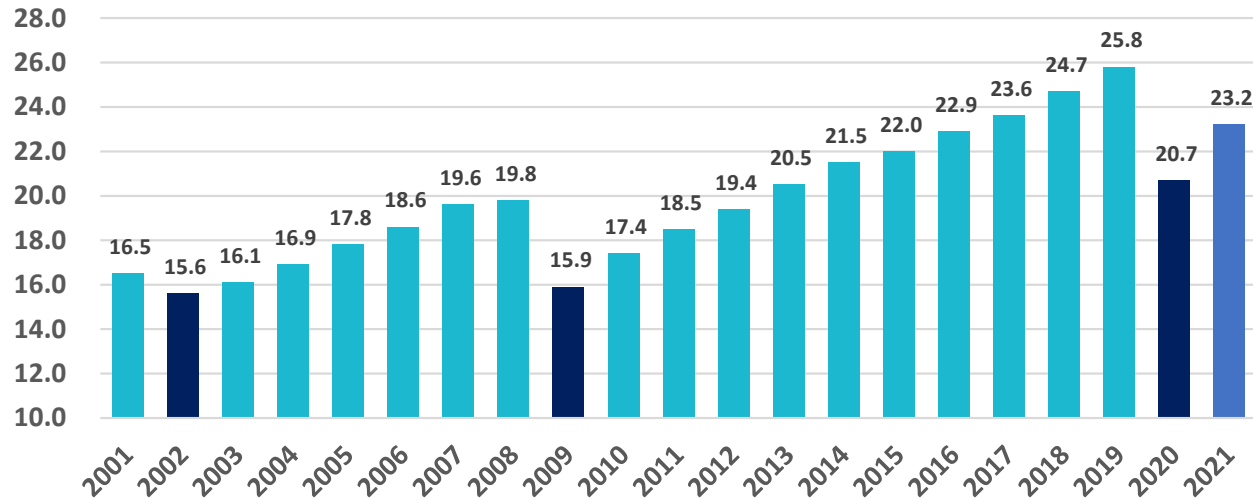
Kevin Lyons-Tarr, CEO



Full Year Results 2021

Market

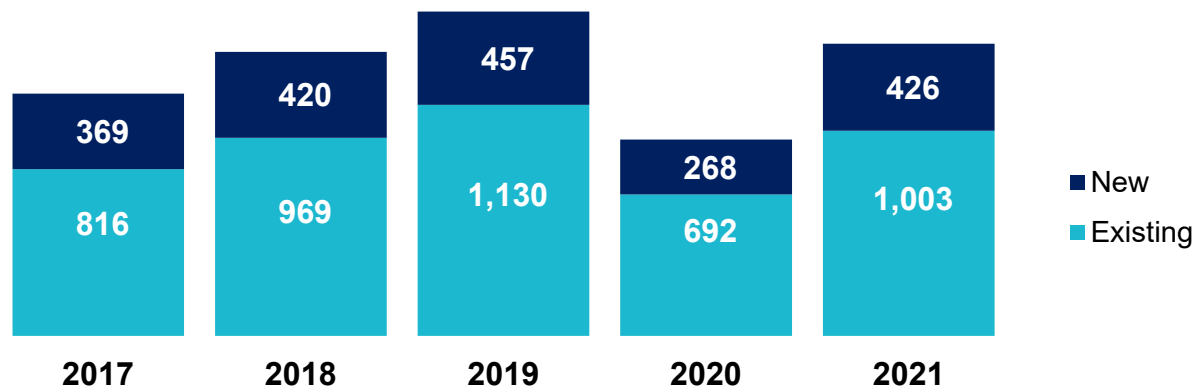
ASI Industry Sales North America 2000 - 2020 \$bn



Source: ASI

- 2021 industry revenue in North America recovered to 2016-2017 levels inclusive of an element of PPE sales
- 4imprint share of total market greater than 2019
- Use cases for promotional products healing, but still not fully recovered

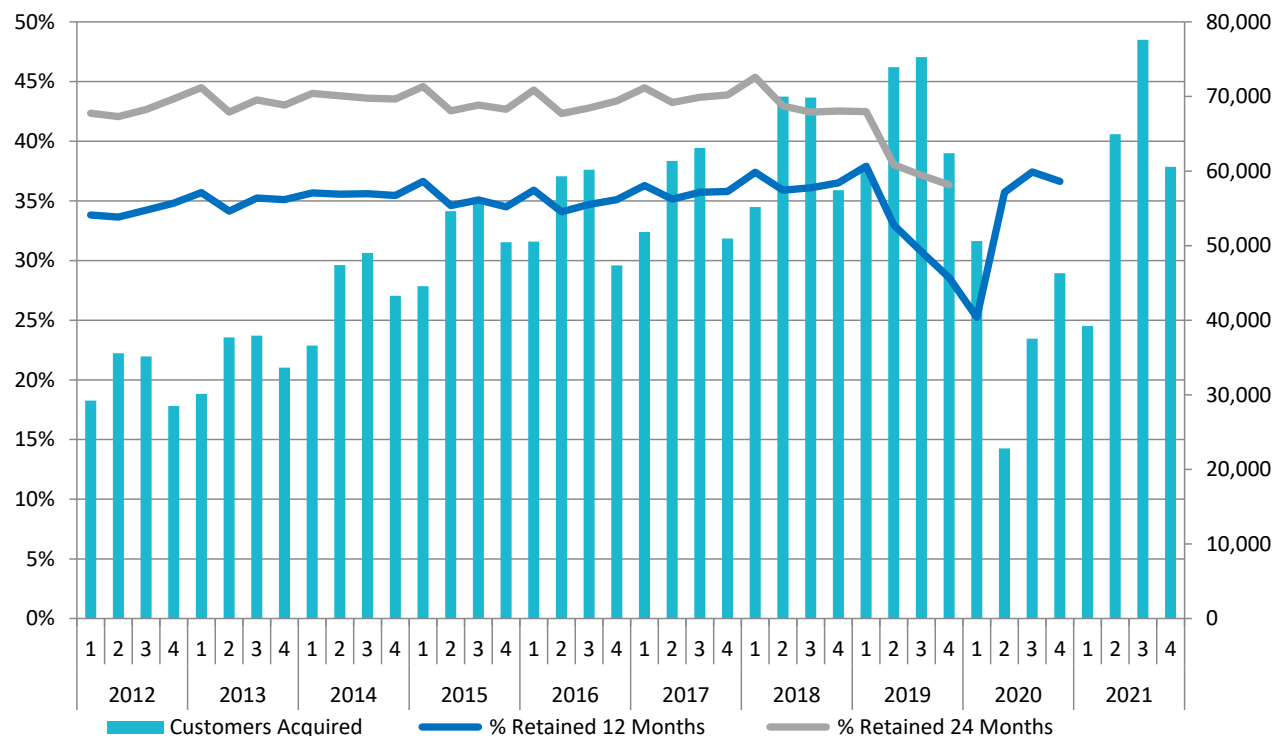
No. of orders received ('000)



- 1,429k total orders received, 90% of 2019; H2 total orders 101% of 2019 comparative
- New customer orders 30% of total demonstrating consistent new customer acquisition profile; 263,000 new customers acquired in 2021

Marketing Effectiveness

US and Canada Acquired and Retained %



Revenue/Marketing \$



- Total marketing spend +37% at \$127.5m (2020: \$92.9m); Revenue +41%
- Strategic initiative (begun Q2 2018) adding brand pillar to marketing platform to increase awareness, add flexibility/agility and reshape marketing mix proved to be effective; accelerated during pandemic:
 - Online spend quickly flexed to market demand and offline marketing activity
 - Direct mail investment reduced to new, lower run rate
 - Brand spend growing as proportion of the total
- Revenue per marketing dollar up slightly reflecting 'test, read, adjust' approach and recalibration of marketing mix
- New customer acquisition gained momentum as market recovered; demonstrates return on continued marketing investment during the downturn as well as effectiveness of current marketing mix
- Existing customer retention rates recovering. Customers acquired during pandemic show retention characteristics in line with historical norms. Retention rate of customers acquired pre-pandemic recovering as use cases and markets improve

Operational Update

Supply chain

- Supply chain challenges emerged as H2 progressed, remain a priority
- Delays in blank product deliveries to our Tier 1 suppliers create periodic stock outages, order delays and longer production times, requiring extra handling/service
- Significant increases in shipping/freight costs throughout the supply chain, combined with increased labour costs creating product cost inflation
- While the inflationary element related to logistics is stabilising somewhat, the proportion related to labour is still evolving; visibility around inventory availability and delays improving slowly
- We continue to work closely with our long-standing supplier partners to help mitigate the margin pressure caused by these issues; careful adjustments made to our pricing balancing near-term margin, customer retention, brand values and the market opportunity

Team

- Focus throughout pandemic has been a 'people-led approach'. Right thing to do, and has been essential to capitalising on the opportunity created by recovering markets
- Priority now shifting to growing the team as necessary to support growth in a significantly tighter labour market; solidifying plans for a flexible work environment for the future

Operational Update – Environmental & Sustainability

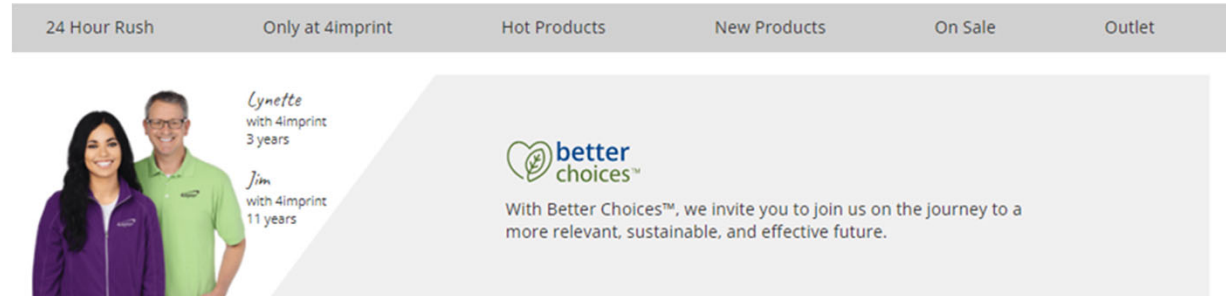


- **Achieved CarbonNeutral® company certification from our external consultant Natural Capital Partners in October 2021**
 - Encompasses scope 1 & 2 as well as some scope 3 elements, primarily those related to transportation of goods from our Tier 1 suppliers to our customers
 - Certification achieved well ahead of our year-end 2022 objective
- **Project to install a 1MW solar array at the Oshkosh Distribution Center**
 - 2,660 panel array generating more than 40% of the site's current power requirements
 - Power consumption is our largest source of scope 1 & 2 GHG; important step in moving towards reducing our own operational footprint and significantly increasing the proportion of our energy derived from renewable sources
 - ~\$2M project, due to be operational late Q3/early Q4 2022

Operational Update - Environmental & Sustainability

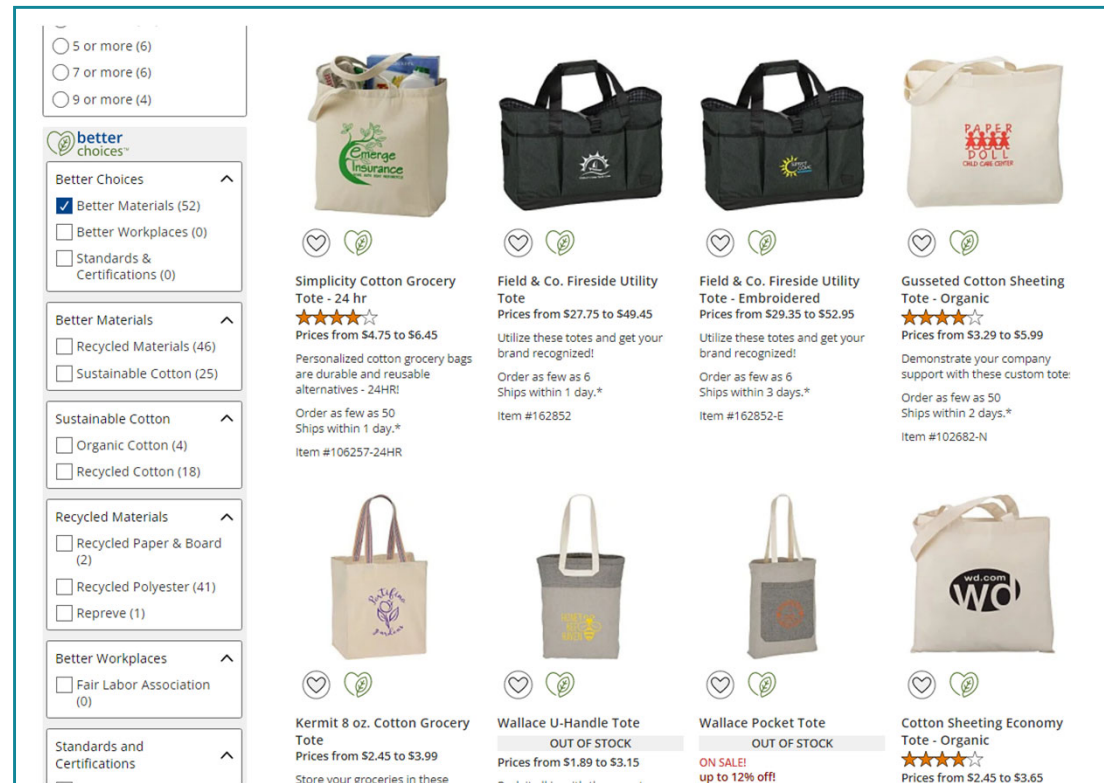


- Major project designed to enable customers to easily find an increasing range of products with a variety of verified sustainability, environmental impact and/or workplace culture characteristics
- Includes clear information as to why a product is in the programme with links to information about the organisations and third-party certifications that make better choices possible
- Approximately 7,000 products to start; will actively seek to grow the range over time as we gather customer feedback and work with our supplier partners to increase awareness of and grow the market for these products



When you choose promotional products, you consider how style, color and imprint fit both your audience and brand. If characteristics like sustainability, environmental impact and workplace culture are also important to you, Better Choices™ now makes products with these characteristics easier to find with clear, precise explanations about why products are part of the program. Better Choices™ also introduces the leading organizations and third-party certifications we've aligned with to make Better Choices™ possible.

Products may earn Better Choices™ designations in multiple categories, helping you find products that best fit your organization.



Outlook

The recovery in the Group's financial performance in 2021 has been very encouraging. Most importantly, it was driven by decisions and actions fully aligned with the Group's strategy, culture and focus on the sustainability of the longer-term health of the business.

Challenges continue with regard to the ongoing pandemic, supply chain disruption and inflationary pressures. However, the Group has a clear strategy and is financially strong. Our business model is flexible and resilient and our market opportunity remains attractive.

Trading results in the first few weeks of 2022 have been encouraging.



Appendices

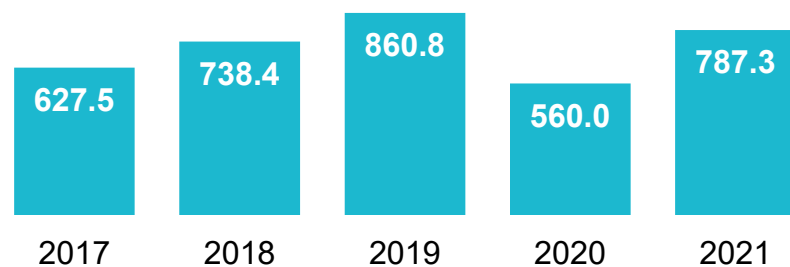


2022 Financial Guidance

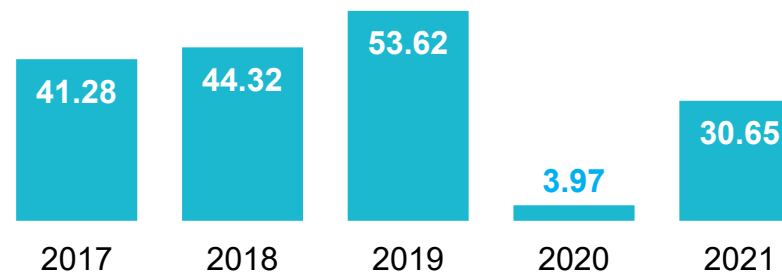
- 2022 revenue split (approximate): H1 45%; H2 55%
- 2022 capex c.\$6.5m; includes c.\$2.0m solar energy project
- Depreciation charge c. \$4.1m (pre-IFRS 16)
- 2022 effective tax rate c. 25% (2021: 25%)
- Share-based payment (IFRS 2) charge \$0.8m in 2022
- Average shares in issue FY 2022 c. 28.1m; fully diluted c. 28.1m
- DB pension plan 2022:
 - Admin charge (c.\$0.4m) now included in operating profit
 - Cash contributions c.\$4.0m
- Proposed dividends:
 - 2021 final dividend 30.00c per share
 - Payable May 2022, cash cost \$8.4m
- IFRS 16 (current lease arrangements)
 - Balance sheet (December 2022)
 - Right-of-use assets: \$10.4m
 - Lease liability: \$10.9m
 - Income statement (FY 2022)
 - Amortisation: \$1.3m
 - Interest: \$0.35m

Results Summary

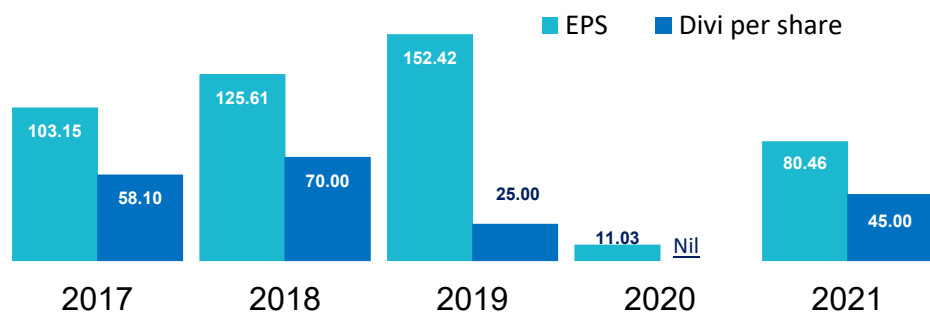
Revenue (\$m)



Operating profit (\$m)



Basic EPS and dividend per share (cents)



Net cash - year end (\$m)

