

4imprint Group

US growth promoters

Full-year results

Media

5 March 2019

Price **2035p**

Market cap **£572m**

\$1.32/£

Net cash (\$m) as at 31 December 2018 27.5

Shares in issue 28.1m

Free float 97.5%

Code FOUR

Primary exchange LSE

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs 3.8 1.5 9.7

Rel (local) 2.1 (0.8) 9.0

52-week high/low 2,260p 1,575p

Business description

4imprint is the leading direct marketer of promotional products in the US, Canada, the UK and Ireland. 97% of 2018 revenues were generated in the US and Canada.

Next events

AGM Early May 2019

Half-year report Late July/early August

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4imprint's results show continued strong progress, with FY18 revenues up 18% on the prior year, coming in just ahead of our forecasts. The growth was supported by additional brand awareness spend, with revenue per marketing dollar holding up very well at \$5.63 (FY17: \$5.67). The group continues to be well placed to carry on growing its market share in the substantial and fragmented promotional goods sector, on margins that should edge ahead. Our FY19 revenue forecast is lifted 2%, with a slightly lower increase in earnings reflecting further brand support marketing. The group has strong cash conversion (100%) and a cash rich balance sheet. We consider that there is further potential upside to the share price.

Year end	Revenue (\$m)	PBT* (\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/17	627.5	42.5	107.7	58.1	24.9	2.2
12/18	738.4	46.4	132.3	70.0	20.3	2.6
12/19e	812.3	52.6	147.0	80.0	18.3	3.0
12/20e	877.3	57.4	159.5	87.5	16.8	3.3

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Driving growth through data-driven marketing

We published a [detailed report in January](#) and these results confirm our perception that the strategy of recruiting and retaining customers through a range of data-driven marketing techniques is capable of delivering growth well ahead of the market (which is estimated by management to be growing at 5.0%). There were 1.389m customer orders processed in the year, up 17%. The group is comfortably on track to meet the self-imposed objective of hitting \$1bn of revenue by FY22. The brand awareness campaign has increased both direct and search traffic to the website and will form an ongoing part of the marketing mix. We have incorporated this into our modelled operating margin. Our FY19 and FY20 PBT and EPS forecasts are lifted 1% at this early stage of the year, which has reportedly started well.

Plenty of cash to invest for the next stage

The pace of growth – in particular the successful build of the apparel offering – has meant that additional capacity at the main Oshkosh distribution centre, put in three years ago to cater for the next five years, now needs to be extended again. \$5m of capex has been allocated for this project in the current year (H1). Despite this, and a progressive dividend (up 20% for FY18), our model shows net cash (there is no debt) building to \$38.1m by the year-end and to \$55.1m by the end of FY20e.

Valuation: Continued positive trading momentum

The group trades at a premium to quoted UK marketing services groups, but there is little in common with this group operationally. 4imprint's long, positive trading record, cash conversion and progressive dividend also single it out. A DCF on our numbers indicates further potential upside, suggesting a value of £23.26 (on a WACC of 9% and terminal growth of 3.0%), from £22.87 at the time of our last note.

Exhibit 1: Financial summary

	\$000s	2016	2017	2018	2019e	2020e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue		558,223	627,518	738,418	812,250	877,250
Cost of Sales		(374,137)	(422,299)	(502,230)	(550,503)	(591,582)
Gross Profit		184,087	205,219	236,188	261,747	285,667
EBITDA		40,766	45,092	48,823	55,723	60,504
Operating Profit (before amort. and except.)		38,377	42,580	46,178	52,378	57,159
Intangible Amortisation		(499)	(464)	(445)	(445)	(445)
Operating Profit (after amort. and before except.)		37,878	42,116	45,733	51,933	56,714
Operating Profit		34,696	41,284	44,341	51,033	55,814
Net Interest		(24)	(122)	227	247	261
Net pension finance charge		(521)	(503)	(403)	(403)	(403)
Profit Before Tax (norm)		38,353	42,458	46,405	52,625	57,420
Profit Before Tax (IFRS)		34,151	40,659	44,165	50,877	55,672
Tax		(9,672)	(11,734)	(8,956)	(10,913)	(12,248)
Profit After Tax (norm)		28,681	30,724	37,449	41,712	45,172
Profit After Tax (IFRS)		24,479	28,925	35,209	39,964	43,424
Discontinued businesses		0	0	0	0	0
Net income (norm)		27,773	30,291	37,175	41,337	44,787
Net income (IFRS)		24,479	28,925	35,209	39,964	43,424
BALANCE SHEET						
Fixed Assets		25,050	25,879	25,732	31,532	32,232
Intangible Assets		0	0	0	0	0
Other intangible assets		1,082	1,138	1,084	1,084	1,084
Tangible Assets		18,938	18,829	19,012	24,812	25,512
Investments		0	0	0	0	0
Deferred tax assets		5,030	5,912	5,636	5,636	5,636
Current Assets		65,662	82,831	84,234	100,750	122,985
Stocks		4,179	7,940	9,878	11,083	12,209
Debtors		39,800	44,124	46,872	51,559	55,684
Cash		21,683	30,767	27,484	38,108	55,091
Other		0	0	0	0	0
Current Liabilities		(40,363)	(49,024)	(50,752)	(55,827)	(60,294)
Creditors		(40,363)	(48,878)	(50,752)	(55,827)	(60,294)
Short term borrowings		0	0	0	0	0
Long Term Liabilities		(21,024)	(18,604)	(15,947)	(13,037)	(10,037)
Long term borrowings		0	0	0	0	0
Other long term liabilities (including pension)		(21,024)	(18,604)	(15,947)	(13,037)	(10,037)
Net Assets		29,325	41,082	43,267	63,418	84,886
CASH FLOW						
Operating Cash Flow		46,804	44,576	45,583	56,418	60,080
Net Interest		(23)	(122)	227	247	261
Tax		(9,423)	(12,751)	(7,844)	(11,288)	(12,632)
Capex		(3,267)	(2,359)	(2,855)	(8,700)	(3,600)
Acquisitions/disposals		0	0	0	0	0
Pension contributions		(17,354)	(3,675)	(3,932)	(3,500)	(3,500)
Financing		(270)	(1,359)	(465)	(2,000)	(500)
Dividends		(12,141)	(15,845)	(32,984)	(20,553)	(23,126)
Other		0	0	0	0	0
Net Cash Flow		4,326	8,465	(2,270)	10,624	16,983
Opening net debt/(cash)		(18,381)	(21,683)	(30,767)	(27,484)	(38,108)
Net impact of disposals etc		0	0	0	0	0
Other		(1,024)	619	(1,013)	(0)	0
Closing net debt/(cash)		(21,683)	(30,767)	(27,484)	(38,108)	(55,091)

Source: 4imprint Group accounts, Edison Investment Research

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