

# 4imprint Group

## Better Q4 order intake

4imprint's trading update indicates that order intake in Q4 was a little better than we had anticipated. Unaudited FY20 revenue was reported at c \$560m, or 5% above our prior forecast. We remain circumspect around trading prospects for FY21, given the impact of the pandemic on corporate America and leave our forecast unchanged for now. The indicated year-end net cash balance at \$39.8m (excluding lease debt) was well ahead of our projected figure (\$22.5m in our modelling), and close to the \$40.1m reported in October, implying that cash collections have held up strongly. We continue to view 4imprint as a high-quality investment proposition.

Year end	Revenue (\$m)	PBT* (\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/18	738.4	46.1	129.4	70.0	23.3	2.3
12/19	860.8	55.6	157.2	84.0**	19.2	2.8
12/20e	535.0	0.5	0.3	0.0	N/A	0.0
12/21e	600.0	15.0	40.6	20.0	74.4	0.7

Note: \*PBT and EPS are normalised, excluding exceptional items. \*\*84c declared, 25c paid. FY20e do not reflect the trading update

## FY20 indicated results slightly outstrip forecasts

Q4 order levels were at around 70% of the prior year, compared to the 65% we had factored into our modelling, resulting in a revenue figure 5% ahead of our estimate. Underlying PBT is expected to be in line with management expectations. The extent of outperformance will also depend on the order mix, particularly with respect to apparel. Many occasions that give rise for the requirement for promotional goods – such as conferences and trade fairs – are currently in abeyance, varying by the extent of lockdown state by state. It may be the case that the boost to Q4 orders is from employers looking to reward loyal customers or improve staff morale. We will update on publication of the full year results in March. Given the extent of the continuing uncertainty, we prefer to leave our FY21e projection as is until that time, when the outlook may be clearer.

## Very strong cash performance

The indicated year-end net cash figure of \$39.8m is well ahead of our projection. This will be partly due to the stronger trading, but also implies that there has been good control of working capital. This additional cash resource will be available for deployment towards the targeted marketing programmes as economic conditions gradually become more encouraging. The timing, however, remains very uncertain.

## Valuation: Mix of strong fundamentals and unknowns

With continuing uncertainty regarding how and at what speed the US economy will continue to recover, our earnings forecasts remain tentative and valuation judgements based on them are subjective. 4imprint has a market-leading position, a low fixed-cost base and limited capital requirements, attractive cash flow characteristics and a cash positive balance sheet, all of which justify its premium rating. 4imprint trades on an FY19 EV/EBITDA of c 14x, compared to marketing services stocks on 9.5x.

## Year-end trading update

### Media

21 January 2021

**Price** **2,205p**

**Market cap** **£619m**

\$1.37:£1

Net cash (\$m) at 31 December 2020 39.8

Shares in issue 28.1m

Free float 98.2%

Code FOUR

Primary exchange LSE

Secondary exchange N/A

### Share price performance



% 1m 3m 12m

Abs (11.2) 10.2 (33.1)

Rel (local) (14.1) (4.2) (25.6)

52-week high/low 3,420p 1,320p

### Business description

4imprint is the leading direct marketer of promotional products in the US, Canada, the UK and Ireland. In FY19, 97% of revenues were generated in the US and Canada.

### Next events

Final results 16 March 2021

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**Exhibit 1: Financial summary**

	\$000s	2018	2019	*2020e	2021e
Year end 31 December		IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>					
Revenue		738,418	860,844	535,000	600,000
Cost of Sales		(500,531)	(585,543)	(379,437)	(410,813)
Gross Profit		237,887	275,301	155,564	189,187
EBITDA		48,507	59,144	3,875	18,775
Operating Profit (before amort. and except.)		45,862	54,860	475	14,975
Intangible Amortisation		0	0	0	0
Operating Profit (after amort. and before except.)		45,862	54,860	475	14,975
Operating Profit		44,322	53,620	(625)	13,775
Net Interest		227	751	25	25
Net pension finance charge		(403)	(378)	(378)	(378)
Profit Before Tax (norm)		46,089	55,611	500	15,000
Profit Before Tax (IFRS)		44,146	53,993	(578)	13,822
Tax		(8,952)	(11,276)	(21)	(2,865)
Profit After Tax (norm)		36,734	44,335	79	11,735
Profit After Tax (IFRS)		35,194	42,717	(599)	10,957
Discontinued businesses		(100)	0	0	0
Net income (norm)		36,360	44,203	78	11,388
Net income (IFRS)		35,094	42,717	(1,399)	10,157
Average Number of Shares Outstanding (m)		28.0	28.0	28.0	28.0
EPS - normalised (c)		129.4	157.2	0.3	40.6
EPS - (IFRS) (c)		125.6	152.4	(2.1)	39.1
Dividend per share (c)		70.0	84.0	0.0	20.0
Gross Margin (%)		32.2	32.0	29.1	31.5
EBITDA Margin (%)		6.6	6.9	0.7	3.1
Operating Margin (before GW and except.) (%)		6.2	6.4	0.1	2.5
<b>BALANCE SHEET</b>					
Fixed Assets		25,732	31,844	30,577	30,077
Intangible Assets		0	0	0	0
Other intangible assets		1,084	1,152	1,152	1,152
Tangible Assets		19,012	24,369	24,687	24,587
Right of use assets		0	1,985	400	0
Deferred tax assets		5,636	4,338	4,338	4,338
Current Assets		84,234	105,631	61,690	70,653
Stocks		9,878	11,456	7,476	8,384
Debtors		46,872	53,039	31,315	35,119
Cash		27,484	41,136	22,900	27,150
Other		0	0	0	0
Current Liabilities		(50,752)	(60,839)	(39,957)	(44,363)
Creditors		(50,752)	(59,209)	(39,557)	(44,363)
Short term / lease borrowings		0	(1,630)	(400)	0
Long Term Liabilities		(15,947)	(13,688)	(1,348)	(968)
Long term borrowings		0	(415)	0	0
Other long-term liabilities (including pension)		(15,947)	(13,273)	(1,348)	(968)
Net Assets		43,267	62,948	50,962	55,399
<b>CASH FLOW</b>					
Operating Cash Flow		45,583	57,796	600	20,700
Net Interest		227	751	25	25
Tax		(7,844)	(10,318)	(141)	(3,212)
Capex		(2,855)	(8,178)	(3,718)	(3,700)
Acquisitions/disposals		0	0	0	0
Pension contributions		(3,932)	(3,593)	(12,700)	(3,500)
Financing		(465)	(2,567)	900	(2,200)
Dividends		(32,984)	(20,659)	0	(1,853)
Other		0	(1,687)	(1,622)	(1,622)
Net Cash Flow		(2,270)	11,545	(16,656)	4,638
Opening net debt/(cash)		(30,767)	(27,484)	(39,091)	**(22,500)
Net impact of disposals etc		0	0	0	0
Other		(1,013)	62	65	12
Closing net debt/(cash)		(27,484)	(39,091)	(22,500)	**(27,150)

Source: Company accounts, Edison Investment Research; \*FY20 estimates have not been adjusted for the FY20 trading update;  
 \*\*Opening and ending FY21e net cash balance estimates are not to be relied upon given the January 2021 trading statement's reporting of a 2020 year-end unaudited net cash figure of \$39.8m

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