

4imprint Group

Trading update

Buoyant orders support further upgrades

Today's update from 4imprint shows that the positive trading environment experienced in the first half has continued through Q3. Management has (again) lifted guidance for the full year. It now indicates revenue of around \$1.1bn, generating PBT of not less than \$90m, and we have raised our forecasts accordingly, with uplifts also to FY23 and FY24 estimates. With the inherent strong cash generation and \$79m of cash balances as at end October, we view it as increasingly likely that a special dividend may be declared for FY22 alongside regular payments.

Year end	Revenue (\$m)	PBT* (\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/20	560.0	3.8	11.0	0.0	373.2	N/A
12/21	787.3	30.2	80.3	45.0	51.1	1.1
12/22e	1,102.3	90.1	243.4	130.0	16.9	3.2
12/23e	1,215.0	97.2	262.2	145.0	15.7	3.5
12/24e	1,336.5	106.7	287.9	160.0	14.3	3.9

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

Continued positive trading momentum

Revenues to end October were 40% ahead of the prior year, which is 35% up on FY19, showing that this is more than a simple post-lockdown rebound. Order counts were up 32% and average order values ahead by 6%, which will have been a combination of pricing and mix, with an increasing proportion of apparel. The success of the brand awareness campaign has increased the group's overall marketing efficiency, giving a step change in operating margin to around 8% from the 6% achieved in FY14–19. Our modelling suggests a very small dip from 8.2% in FY22e to 8.0% in FY23e as the group continues to invest to support the growth. Overall, our FY22 PBT and EPS forecasts rise 13%, with an 8% uplift for FY23e and +7% for FY24e (August increases were of 49% for FY22e and 40% for FY23e).

Scope for additional distribution

4imprint is inherently cash generative, with limited capital investment requirements. End October cash was \$79m, from \$67m at end June, and our modelling suggests a balance of \$83m at the FY22 year-end. At these levels of cash resources, we expect that management will be considering declaring a special dividend for FY22e alongside the final dividend. If that additional payment were to be \$1/share, payable in H123, that would bring our expected FY23 year-end cash figure broadly in line with that of end FY22. Our financial summary reflects this assumption.

Valuation: DCF suggests meaningful upside

The share price responded very positively to July's trading update, hitting an all-time high of over £40, before settling back to current levels. At the time of our August update, our DCF suggested a value of £54.58 per share. This subsequent upgrade to forecasts takes this figure to £63.26 per share, with (still) weaker sterling (\$/£1.15 vs \$/£1.20) boosting the implied value further to £66.01 per share, significantly ahead of the current share price.

Media

4 November 2022

Price **3,550p**
Market cap **£997m**

£1.15/\$

Net cash at 31 October 2022, excluding lease liabilities \$79m

Shares in issue 28.08m

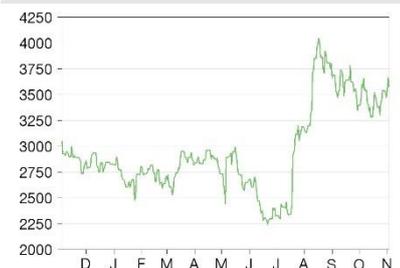
Free float 97.6%

Code FOUR

Primary exchange LSE

Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	3.9	14.4	21.2
Rel (local)	(0.1)	19.8	27.6

52-week high/low 4,045p 2,240p

Business description

4imprint Group is a leading direct marketer of promotional products in the United States, Canada, the UK and Ireland. In FY21, 98% of revenues were generated in the United States and Canada.

Next events

FY22 results February 2023

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Exhibit 1: Financial summary

	\$000s	2019	2020	2021	2022e	2023e	2024e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS							
Revenue		860,844	560,040	787,322	1,102,250	1,215,000	1,336,500
Cost of Sales		(585,543)	(402,100)	(561,306)	(787,098)	(868,725)	(955,597)
Gross Profit		275,301	157,940	226,016	315,152	346,275	380,902
EBITDA		57,904	8,905	35,660	95,940	103,100	112,600
Operating profit (before amort. and excepts.)		53,620	3,972	30,646	90,440	97,500	107,000
Intangible Amortisation		0	0	0	0	0	0
Exceptionals		0	0	0	0	0	0
Operating Profit		53,620	3,972	30,646	90,440	97,500	107,000
Net Interest		373	(129)	(417)	(300)	(300)	(300)
Profit Before Tax (norm)		53,993	3,843	30,229	90,140	97,200	106,700
Profit Before Tax (IFRS)		53,993	3,843	30,229	90,140	97,200	106,700
Tax		(11,276)	(753)	(7,643)	(21,634)	(23,328)	(25,608)
Profit After Tax (norm)		42,717	3,090	22,586	68,506	73,872	81,092
Profit After Tax (IFRS)		42,717	3,090	22,586	68,506	73,872	81,092
Discontinued businesses		0	0	0	0	0	0
Net income (norm)		42,717	3,090	22,586	68,506	73,872	81,092
Net income (IFRS)		42,717	3,090	22,586	68,506	73,872	81,092
Average Number of Shares Outstanding (m)		28.0	28.0	28.1	28.1	28.1	28.1
EPS - normalised fully diluted (c)		151.9	11.0	80.3	243.4	262.2	287.9
EPS - (IFRS) (c)		152.4	11.0	80.5	244.1	262.9	288.6
Dividend per share (c)		25.0	0.0	45.0	130.0	145.0	160.0
Special dividend per share (c)		0.0	0.0	0.0	100.0	0.0	0.0
Gross Margin (%)		32.0	28.2	28.7	28.6	28.5	28.5
EBITDA Margin (%)		6.7	1.6	4.5	8.7	8.5	8.4
Operating Margin (before GW and except.) (%)		6.2	0.7	3.9	8.2	8.0	8.0
BALANCE SHEET							
Fixed Assets		31,844	43,269	40,011	47,296	49,856	52,416
Intangible Assets		0	0	0	1,010	1,010	1,010
Other intangible assets		1,152	1,100	1,045	1,045	1,045	1,045
Tangible Assets		24,369	24,832	24,667	28,167	28,067	27,967
Right of use assets		1,985	13,065	11,725	10,500	9,160	7,820
Deferred tax assets		4,338	4,272	600	600	600	600
Retirement benefit asset		0	0	1974	5974	9974	13974
Current Assets		105,631	89,812	127,771	194,486	207,114	247,460
Stocks		11,456	11,271	20,559	26,624	29,641	30,159
Debtors		53,039	38,775	63,589	82,348	91,679	100,847
Cash		41,136	39,766	41,589	83,480	83,760	114,420
Other		0	0	2,034	2,034	2,034	2,034
Current Liabilities		(60,839)	(51,118)	(73,027)	(104,293)	(114,844)	(126,213)
Creditors		(59,209)	(50,001)	(71,877)	(103,143)	(113,694)	(125,063)
Short term borrowings		0	0	0	0	0	0
Lease liabilities		(1,630)	(1,117)	(1,150)	(1,150)	(1,150)	(1,150)
Long Term Liabilities		(13,688)	(16,592)	(11,789)	(10,911)	(9,828)	(8,628)
Long term borrowings		0	0	0	0	0	0
Lease liabilities		(415)	(12,089)	(10,939)	(10,061)	(8,861)	(7,661)
Other long term liabilities		(13,273)	(4,503)	(850)	(850)	(967)	(967)
Net Assets		62,948	65,371	82,966	126,577	132,298	165,035
CASH FLOW							
Operating Cash Flow		59,841	16,462	22,846	97,500	99,000	106,650
Net Interest		751	(13)	(409)	(300)	(300)	(300)
Tax		(10,318)	(507)	(6,414)	(18,034)	(20,828)	(22,008)
Capex		(8,178)	(3,724)	(3,465)	(9,000)	(5,500)	(5,500)
Acquisitions/disposals		0	0	0	(1,700)	0	0
Pension contributions		(3,593)	(13,278)	(4,589)	(4,000)	(4,000)	(4,000)
Financing		(2,567)	941	(843)	(900)	(900)	(900)
Dividends		(20,659)	0	(4,134)	(20,512)	(65,974)	(42,106)
Other/ Capital portion of lease repayments		(1,687)	(1,418)	(1,117)	(1,200)	(1,200)	(1,200)
Net Cash Flow		13,590	(1,537)	1,875	41,854	298	30,636
Opening net debt/(cash)		(27,484)	(41,136)	(39,766)	(41,589)	(83,480)	(83,760)
Net impact of disposals etc		0	0	0	0	0	0
Other		62	167	(53)	36	(19)	3
Closing net debt/(cash)		(41,136)	(39,766)	(41,589)	(83,480)	(83,760)	(114,400)

Source: Company accounts, Edison Investment Research

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