

15 March 2023

4imprint Group plc
Final results for the period ended 31 December 2022

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

4imprint Group plc (the "Group"), a direct marketer of promotional products, today announces its final results for the 52 weeks ended 31 December 2022.

| Financial Overview | 2022 | 2021 | |
|--|-----------------|-------------|---------------|
| | \$m | \$m | Change |
| Revenue | 1,140.29 | 787.32 | +45% |
| Operating profit | 102.90 | 30.65 | +236% |
| Profit before tax | 103.71 | 30.23 | +243% |
| Cash and bank deposits | 86.75 | 41.59 | +109% |
| | | | |
| Basic EPS (cents) | 285.57 | 80.46 | +255% |
| Total paid and proposed regular dividend per share (cents) | 160.00 | 45.00 | +256% |
| Total paid and proposed regular dividend per share (pence) | 132.24 | 33.82 | +291% |
| Proposed special dividend per share (cents) | 200.00 | - | - |
| Proposed special dividend per share (pence) | 165.38 | - | - |

| Operational Overview |
|--|
| <ul style="list-style-type: none">Strong trading momentum; strategic revenue target of \$1bn surpassed and profit before tax exceeded \$100m1,860,000 total orders processed in 2022 (2021: 1,429,000); 307,000 new customers acquired in the year (2021: 263,000)Brand investment driving a step change in the productivity of the overall marketing mixVery strong financial position, with cash and bank deposits of \$86.8m; no debtSpecial dividend proposed of 200.00c per shareGood progress on ESG, including completion of the \$2m solar array project at the Oshkosh distribution centre |

Paul Moody, Chairman said:

Following an extremely strong trading performance in 2022, we enter the 2023 financial year with momentum and confidence. Trading results in the first few weeks of 2023 have been encouraging.

The person responsible for arranging the release of this announcement on behalf of 4imprint Group plc is David Seekings, its Chief Financial Officer.

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Chairman's Statement

Overview

2022 was an outstanding year for 4imprint. Two major financial milestones were achieved:

- We surpassed our strategic revenue target of \$1bn; and
- For the first time in the Group's history, profit before tax exceeded \$100m.

Underpinning the numbers, 2022 was characterised by the resilience and scalability of our direct marketing business model and, above all, by the extraordinary dedication and tenacity of our people in providing the best possible service to our customers in the face of unprecedented growth in demand.

Financial performance

After a relatively quiet first quarter, strong trading momentum was evident in the Group's financial performance for the remainder of the year, prompting several unscheduled positive market updates.

Enhanced productivity from our marketing activities, relative stability in gross margins and operational leverage over fixed and semi-fixed elements of the cost base joined together to produce a powerful combination of growth, profitability and cash generation for the year.

Group revenue for 2022 was \$1.14bn, an increase of \$353.0m or 45% over 2021. Profit before tax for the year was \$103.7m (2021: \$30.2m), resulting in basic earnings per share of 285.57c, (2021: 80.46c). The Group ended 2022 in a strong financial position, with cash and bank deposits of \$86.8m (2021: \$41.6m).

Strategic direction

The Group's progress in 2022 is a direct consequence of both the clarity of our strategic direction and our deep-seated cultural commitment to 'doing the right thing' for all stakeholders. In particular, we took a long-term view of the business and its prospects throughout the pandemic-affected years of 2020 and 2021. Notably:

- We did not deviate from our commitment to our people. They are the cornerstone of the 4imprint culture and are essential to producing such impressive financial results.
- We continued to develop and invest in the increasingly important brand component of our marketing programme. This sustained strategic commitment has given us the flexibility we anticipated and is clearly having a beneficial impact on the efficiency of our marketing mix.

The Board recognises that adding more than \$350m of organic revenue in 2022 was an outstanding achievement, particularly after a two-year period marked by the significant adverse impact of the pandemic. As such, following on from its annual strategic review in Oshkosh in early November 2022, the Board has approved significant incremental investment in the business in 2023, primarily in people, in order to consolidate gains already made and to drive future profitable revenue growth.

In this context, the Board remains committed to the Group's strategy and business model as well as confident in the strength of its competitive position.

ESG

There have been several important developments in 2022 in support of the Group's ESG objectives. We were re-certified as a *CarbonNeutral®* company by Climate Impact Partners, and the team has worked on several additional energy reduction initiatives, most notably the installation of a 2,660 panel solar array at the Oshkosh distribution centre. In addition, there has been significant progress in expanding and developing Better Choices™, our sustainable product initiative.

Dividend

The Group enters 2023 in a very strong financial position, with cash and bank deposits of \$86.8m. In view of the Group's financial performance in 2022 and its likely cash requirements in 2023, the Board recommends a final dividend per share of 120.00c (2021: 30.00c), giving a total paid and proposed 2022 regular dividend per share of 160.00c (2021: 45.00c).

In addition, and consistent with both the Group's capital allocation framework and its balance sheet funding guidelines, the Board is pleased to recommend an additional, special dividend per share of 200.00c (2021: 0.00c), to be paid in June 2023 alongside the 2022 final dividend.

Outlook

Following an extremely strong trading performance in 2022, we enter the 2023 financial year with momentum and confidence. Trading results in the first few weeks of 2023 have been encouraging.

Paul Moody

Chairman

14 March 2023

Chief Executive's Review

| | 2022 \$m | 2021 \$m | Change |
|---------|-------------|-------------|--------|
| Revenue | 1,120.52 | 773.71 | +45% |

North America

| | | | |
|--------------|-----------------|--------|------|
| UK & Ireland | 19.77 | 13.61 | +45% |
| Total | 1,140.29 | 787.32 | +45% |

| Operating profit | 2022 \$m | 2021 \$m | Change |
|-----------------------------|---------------|-------------|--------|
| Direct Marketing operations | 107.91 | 34.54 | +212% |
| Head Office costs | (5.01) | (3.89) | +29% |
| Total | 102.90 | 30.65 | +236% |

Performance overview

2022 was a remarkable year for 4imprint. Guided by a clear strategic plan and driven by the tremendous efforts of our teammates and supplier partners, we have emerged from the pandemic stronger than we entered it, generating record levels of revenue and profitability, increased market share and excellent progress on several important initiatives.

The first quarter of 2022 was broadly in line with our initial expectation to deliver another solid step forward in the recovery of the business after two years that were badly affected by the pandemic. Total orders received in the first quarter were up a respectable 7% when measured against 2019, the last 'normal' comparative. However, from the start of the second quarter through to the end of 2022 the trading performance of the Group improved markedly. Total orders in that period were up over the same 2019 comparative by an aggregate of 20%.

Comparisons to the prior year are equally impressive. In total, 1,860,000 orders were processed in 2022, representing an increase of 30% over 2021. Importantly, the proportion of new customers acquired has been very encouraging. In 2022 we acquired 307,000 new customers, a 17% increase over the 263,000 acquired in the prior year. The recovery in new customer acquisition in both 2021 and 2022 drove robust existing customer order counts which had previously been hindered by the sharp decrease in customer acquisition activity during the worst of the pandemic in 2020. It is reassuring that customers acquired during the pandemic/recovery timeframe have demonstrated typical or even slightly improved retention characteristics, indicating that they are squarely within our target profile.

Average order values in 2022 were 5% above prior year, the result of changes in the merchandising mix as well as general inflationary price adjustments through the year. This led to a total increase at the demand revenue (value of orders received) level of 36% over 2021.

These very strong demand numbers translated into significant gains in year-on-year financial performance.

- Group revenue for 2022 was \$1.14bn, representing an increase of 45% or \$353.0m over 2021. It should be noted that 2022 revenue was boosted by a timing effect of around \$30m related to an unusually high order backlog at the 2021 year-end. This was caused by global and local supply chain issues delaying orders in process. As anticipated, this situation largely unwound to the benefit of 2022 reported revenue as the supply situation improved and orders were completed.
- In terms of profitability, the Group delivered a step change in results. Operating profit for 2022 of \$102.90m was 236% above the 2021 comparative of \$30.65m. Clearly, the revenue volume growth outlined above was a key factor in driving this very favourable profitability dynamic, but the effect was amplified by: (i) gross margins remaining broadly stable in an inflationary environment; (ii) significant gains in the productivity of our marketing investment; and (iii) operational gearing over the fixed and semi-fixed elements of the cost base.
- The 4imprint direct marketing business model remains very cash generative, with free cash flow in the year of \$63.88m (2021: \$5.95m) leading to cash and bank deposits at the 2022 year-end of \$86.8m (2021: \$41.6m).

We are convinced that the strength of the Group's financial performance in 2022 is a direct result of our strategic commitment to keep investing in the business even during a severe economic downturn. We know that this continued investment, primarily in people and marketing, forms the foundation necessary to take advantage of the significant market share opportunity that lies ahead.

Operational highlights

Beyond the financial performance, much progress was made on operational initiatives, all set in the context of the stresses and strains on the organisation from delivering more than \$350m of incremental organic revenue growth in a short space of time.

- **People.** Our people are crucial to our current and future success. This was clearly demonstrated in the context of the very strong demand levels seen in the business from the second quarter of 2022 onwards. Our team members across the entire business were willing to go above and beyond to deliver the best possible customer service in the face of record order intake volumes and an improving but still challenging supply chain. We have invested in remuneration and benefit initiatives in the year, including the full restoration of quarterly payouts under our quarterly 'gainshare' and other leadership bonus plans that had been paused during the pandemic. In addition, in September 2022 we paid a special "one-off" bonus of \$1,000 or local equivalent to all team members in recognition of extraordinary effort and an attitude of mind that so clearly reflects 4imprint's culture and values. So far we have been successful in attracting, recruiting and training the additional team members that we need to service our further growth aspirations.
- **Marketing.** Our commitment to staying in front of our customers during an economic downturn was validated as the pandemic receded. The strategic evolution of our marketing mix in recent years to include and increasingly invest in a brand awareness element was accelerated and we have used the improved flexibility this new mix offers to take full advantage of the immediate market share opportunity, at the same time as strengthening the business for the long term. The success of this approach to managing our marketing budget in 2022 was reflected in large part in our revenue per marketing dollar KPI in the year of \$8.86, an increase of 44% over prior year (2021: \$6.17).
- **Supply.** As anticipated, the supply chain constraints seen in 2021 continued into the first half of 2022. The deep relationships that we have with our key tier 1 suppliers again proved to be invaluable in dealing with these situations, with the effect that the logistics, inventory and production labour pressures eased considerably in the second half of the year. In common with most businesses, we experienced significant inflationary pressure on cost of product during the year. Whilst we implemented carefully considered price increases to help address these increasing costs, we continued to approach pricing thoughtfully so as to remain very well positioned in the market, supporting the strong customer acquisition and retention numbers described above.
- **Screen-printing.** In April 2022 we completed the purchase of the business and assets of a small, nearby apparel screen-printing business that had been a long-standing and valued supplier. The assets, but more importantly the expertise acquired will provide the seed from which we can expand our apparel decorating capabilities and capacity in support of the continued growth of this category. In terms of strategic rationale, the parallel is the substantial in-house embroidery operation, built from small beginnings, that has underpinned our significant growth in this important category.

ESG

Even as the team worked incredibly hard to manage the swift and sharp recovery, excellent progress was made on our ESG agenda in 2022.

- We maintained and renewed our *CarbonNeutral®* business certification.
- The team has worked on further energy and waste reduction initiatives, with the ultimate goal of moving towards clean energy initiatives and reducing reliance on carbon offset products.
- A 2,660 panel solar array was installed and became operational in the year at the Oshkosh distribution centre.
- There has been exciting progress in expanding and developing our Better Choices™ sustainable products range.

Looking ahead

We are proud of what our business has achieved in 2022. Our strategy is clear, our business model is flexible and scalable and we see opportunities to take more share in the markets in which we operate.

Financial Review

| | 2022 \$m | 2021 \$m |
|------------------------------|---------------|-------------|
| Operating profit | 102.90 | 30.65 |
| Net finance income/(cost) | 0.80 | (0.42) |
| Profit before tax | 103.70 | 30.23 |
| Taxation | (23.56) | (7.64) |
| Profit for the period | 80.14 | 22.59 |

The Group's operating result in the period, summarising expense by function, was as follows:

| | 2022 \$m | 2021 \$m |
|--|-----------------|-------------|
| Revenue | 1,140.29 | 787.32 |
| Gross profit | 321.94 | 226.02 |
| Marketing costs | (128.68) | (127.53) |
| Selling costs | (38.64) | (32.16) |
| Administration and central costs | (50.36) | (34.73) |
| Share option charges and related social security costs | (0.84) | (0.61) |
| Defined benefit pension scheme administration costs | (0.52) | (0.34) |
| Operating profit | 102.90 | 30.65 |

Operating result

Following the recovery of the business from the effects of the pandemic in the prior year, the positive trading momentum continued throughout 2022, resulting in record levels of demand. This trading profile, along with an increase in average order values and improved supply chain conditions, drove full year revenue to \$1.14bn, an increase of \$0.35bn or 44.8% compared to \$0.79bn in 2021.

The gross profit percentage declined 0.5% to 28.2% (2021: 28.7%). Persistent inflationary pressures in the challenging macroeconomic and geopolitical environment increased product, transportation and labour costs, which were partially offset by a considered approach to selling price adjustments taken to maintain customer acquisition to drive future growth.

Marketing costs reduced to 11.3% of revenue, compared to 16.2% of revenue in 2021. 2022 saw a step change in marketing productivity driven by investment in the brand element of marketing mix, and our commitment to staying in front of customers during the pandemic. This has led to the revenue per marketing dollar KPI rising to \$8.86, a 43.6% increase over prior year (2021: \$6.17).

Selling, administration and central costs together increased 33.1% to \$89.00m (2021: \$66.89m). This increase is attributable to additional investment in team members, particularly in customer service and at our operational facilities to support elevated demand activity, and higher incentive compensation costs and bad debt reserves in line with trading performance.

These factors, when combined together, demonstrate the financial leverage in the business model, thereby delivering material uplifts in both operating profit to \$102.90m (2021: \$30.65m) and operating margin to 9.02% (2021: 3.89%).

Foreign exchange

The primary US dollar exchange rates relevant to the Group's 2022 results were as follows:

| | 2022 | | 2021 | |
|------------------|-------------|-------------|------------|---------|
| | Period-end | Average | Period-end | Average |
| Sterling | 1.20 | 1.24 | 1.35 | 1.38 |
| Canadian dollars | 0.74 | 0.77 | 0.79 | 0.80 |

The Group reports in US dollars, its primary trading currency. It also transacts business in Canadian dollars, Sterling and Euros. Sterling/US dollar is the exchange rate most likely to impact the Group's financial performance.

The primary foreign exchange considerations relevant to the Group's operations are as follows:

- Translational risk in the income statement remains low with 98% of the Group's revenue arising in US dollars, the Group's reporting currency. The net impact on the 2022 income statement from trading currency movements was not material to the Group's results.
- Most of the constituent elements of the Group balance sheet are US dollar-based. Exceptions are the Sterling-based

defined benefit pension asset and the UK cash balances, which produced exchange losses of \$0.20m and \$1.21m respectively for the year.

- The Group generates cash mostly in US dollars, but its primary applications of post-tax cash are Shareholder dividends, pension contributions and some Head Office costs, all of which are paid in Sterling. As such, the Group's cash position is sensitive to Sterling/US dollar exchange movements. By way of example, using actual exchange rates, the movement of Sterling against the US dollar during 2022 meant that every US\$1m converted to Sterling was worth around £89,000 more at the 2022 closing rate compared to the 2021 closing rate.

Share option charges

A total of \$0.84m (2021: \$0.61m) was charged in the year in respect of IFRS 2 'Share-based Payments'. This was made up of two elements: (i) executive awards under the Deferred Bonus Plan (DBP) and 2015 Incentive Plan; and (ii) charges in respect of the 2019 UK SAYE and the 2021 US Employee Stock Purchase Plan.

Current options and awards outstanding are 2,059 shares under the UK SAYE, 89,388 shares under the 2021 US Employee Stock Purchase Plan, and 29,633 shares under the 2015 Incentive Plan. Awards under the DBP in respect of 2022 are anticipated to be made in late March 2023.

Net finance income/(cost)

Net finance income for the year was \$0.80m (2021: net finance cost \$0.42m). This comprises interest earned on cash deposits, lease interest charges under IFRS 16, and the net income/(charge) on the defined benefit pension plan assets and liabilities.

Interest income increased significantly during the year to \$1.16m (2021: \$0.03m), driven by improving yields on higher cash deposits, particularly in the US where interest rates have been steadily raised during the year in response to economic conditions.

Taxation

The tax charge for the year was \$23.56m (2021: \$7.64m), giving an effective tax rate of 23% (2021: 25%). The charge comprises a current tax charge of \$23.99m representing tax payable on US taxable profits; a current tax charge of \$1.19m in respect of UK profits; and a deferred tax credit of \$1.62m.

The decrease in the effective tax rate is principally due to UK tax losses utilised in the year and the recognition of a deferred tax asset for UK tax losses that, following a review of updated forecasts of UK taxable profits, are expected to be utilised in the next three years. The US business also benefitted from a federal tax credit of \$0.47m in respect of its investment in a solar array at the Oshkosh distribution centre.

Earnings per share

Basic earnings per share was 285.57c (2021: 80.46c), an increase of 255%. This reflects the 255% increase in profit after tax, and a weighted average number of shares in issue similar to prior year.

Dividends

Dividends are determined in US dollars and paid in Sterling, converted at the exchange rate on the date that the dividend is declared.

The Board has proposed a final dividend of 120.00c per share (2021: 30.00c) which, together with the interim dividend of 40.00c per share, gives a total paid and proposed regular dividend relating to 2022 of 160.00c per share (2021: 45.00c), an increase of 256% compared to prior year.

The final dividend has been converted to Sterling at an exchange rate of £1.00/\$1.2093. This results in a final dividend per share payable to Shareholders of 99.23p (2021: 22.99p), which, combined with the interim dividend paid of 33.01p per share, gives a total dividend per share for the year of 132.24p (2021: 33.82p).

In addition to the interim and final dividends, the Board has also proposed a special dividend of 200.00c per share (165.38p) (2021: nil), which will be paid at the same time as the final dividend in June 2023. This special dividend is non-recurring in nature and is in accordance with the Group's established balance sheet funding and capital allocation policies which are described in more detail below.

The final and special dividends, together amounting to 320.00c per share (264.61p), will be paid on 1 June 2023 to Shareholders on the register at the close of business on 5 May 2023.

Defined benefit pension plan

The Group sponsors a legacy UK defined benefit pension plan (the "Plan") which has been closed to new members and future accrual for several years. The Plan has 118 pensioners and 210 deferred members.

At 31 December 2022, the surplus of the Plan on an IAS 19 basis was \$1.23m (2021: \$1.97m). Gross Plan assets under IAS 19 were \$21.52m, and liabilities were \$20.29m.

The change in the net IAS 19 Plan position is analysed as follows:

| | \$m |
|---|-------------|
| IAS 19 surplus at 1 January 2022 | 1.97 |
| Company contributions to the Plan | 4.37 |
| Defined benefit pension scheme administration costs | (0.52) |
| Pension finance income | 0.07 |
| Re-measurement gain due to changes in assumptions | 11.91 |
| Return on scheme assets (excluding interest income) | (16.37) |
| Exchange loss | (0.20) |
| IAS 19 surplus at 31 December 2022 | 1.23 |

The net IAS 19 surplus decreased by \$0.74m in the year. This was mainly the result of a fall in the Plan asset values driven by high inflation (the assets are held in gilts, the values of which move with inflation and interest rate expectations, and liquidity funds), partly offset by the increase in the discount rate used to measure the Plan liabilities. In Sterling, the net IAS 19 surplus decreased by £0.44m in the year to a surplus of £1.02m.

The Company continues to pay regular monthly contributions into the Plan as part of a recovery plan agreed by the Company and the Trustee that aims towards funding on a buyout basis by mid-2024. As the Plan moves towards becoming 'buyout ready', the Company and the Trustee continue to assess options on the timing and route to achieving this objective.

A triennial actuarial valuation of the Plan was completed in September 2019 and this forms the basis of the 2022 IAS 19 valuation set out above. The next triennial Plan valuation is underway and is expected to be completed in the first half of 2023.

Business combination

On 25 April 2022, the Group acquired the trade and assets of Fox Graphics Ltd, a private company based in Oshkosh, Wisconsin, that specialises in screen-printing services. The acquired screen-printing operations will enable the Group to bring this capability in-house. With future investment the objective is to secure the capacity to meet the anticipated growth in demand for the apparel category.

The acquisition constitutes a business combination as defined in IFRS 3, as the three elements of a business (input, process, output) have been identified as having been acquired. Accordingly, the acquisition has been accounted for using the acquisition method.

The fair value of the consideration transferred was \$1.70m and the net identifiable assets acquired and liabilities assumed as at the date of acquisition have been determined at \$0.69m. The resulting goodwill of \$1.01m has been recognised on the balance sheet during the period.

Further information on this acquisition is provided in note 5.

Cash flow

The Group had cash and bank deposits of \$86.75m at 31 December 2022, an increase of \$45.16m against the 1 January 2022 balance of \$41.59m.

Cash flow in the period is summarised as follows:

| | 2022 \$m | 2021 \$m |
|--|--------------|-------------|
| Operating profit | 102.90 | 30.65 |
| Share option charges | 0.82 | 0.60 |
| Defined benefit pension scheme administration charge | 0.52 | 0.34 |
| Depreciation and amortisation | 4.02 | 3.67 |
| Lease depreciation | 1.51 | 1.34 |
| Change in working capital | (8.44) | (13.76) |
| Capital expenditure | (8.01) | (3.47) |
| Underlying operating cash flow | 93.32 | 19.37 |
| Tax and interest | (20.06) | (6.82) |
| Consideration for business combination | (1.70) | - |
| Defined benefit pension scheme contributions | (4.37) | (4.59) |
| Own share transactions | (0.87) | (0.84) |
| Capital element of lease payments | (1.23) | (1.12) |
| Exchange and other | (1.21) | (0.05) |
| Free cash flow | 63.88 | 5.95 |
| Dividends to Shareholders | (18.72) | (4.13) |
| Net cash inflow in the period | 45.16 | 1.82 |

The Group generated underlying operating cash flow of \$93.32m (2021: \$19.37m), a conversion rate of 91% of operating profit (2021: 63%). The net working capital position, whilst remaining elevated, has fallen significantly as a percentage of revenue compared to the 2021 year-end reflecting the improved supply chain conditions. Capital expenditure includes \$1.82m on a solar array at the Oshkosh distribution centre which became fully operational in December 2022, and \$2.93m on equipment and facility build out costs in relation to the acquired screen-printing operations.

Free cash flow improved by \$57.93m to \$63.88m (2021: \$5.95m). This is attributable to the excellent trading performance during the period and is net of \$1.70m of business acquisition consideration.

The 2021 final dividend of \$8.14m was paid in May 2022 and the 2022 interim dividend of \$10.58m was paid in September 2022.

Balance sheet and Shareholders' funds

Net assets at 31 December 2022 were \$140.22m, compared to \$82.97m at 1 January 2022. The balance sheet is summarised as follows:

| | 31 December 2022 \$m | 1 January 2022 \$m |
|--|----------------------------|--------------------------|
| Non-current assets (excluding pension asset) | 46.71 | 38.04 |
| Working capital | 20.84 | 12.27 |
| Cash and bank deposits | 86.75 | 41.59 |
| Lease liabilities | (13.75) | (12.09) |
| Pension asset | 1.23 | 1.97 |
| Other assets - net | (1.56) | 1.19 |
| Net assets | 140.22 | 82.97 |

Shareholders' funds increased by \$57.25m since the 2021 year-end. Constituent elements of the movement were net profit in the period of \$80.14m and share option related movements of \$1.01m, net of equity dividends paid to Shareholders \$(18.72)m, own share transactions of \$(0.87)m, the after tax impact of returns on pension scheme assets and re-measurement gains on pension obligations of \$(2.70)m, and exchange losses of \$(1.61)m.

The Group had a net positive working capital balance of \$20.84m at 31 December 2022 (2021: \$12.27m), reflecting the build-up of accrued revenue and inventory on orders in process at year-end. As a percentage of revenue, the net working capital balance has reduced materially from the prior year-end, which was significantly impacted by global and local supply chain issues caused by the pandemic.

Balance sheet funding

The Board is committed to aligning the Group's funding with its strategic priorities. This requires a stable, secure and flexible balance sheet through different economic cycles. The Group will therefore typically remain ungeared and hold a positive cash and bank deposits position.

The Board's funding guidelines are unchanged, and aim to provide operational and financial flexibility.

- To facilitate continued investment in marketing, people and technology through different economic cycles, recognising that an economic downturn typically represents a market share opportunity for the business.
- To protect the ability of the business to act swiftly as growth opportunities arise in accordance with the Group's capital allocation guidelines.
- To underpin a commitment to Shareholders through the maintenance of regular interim and final dividend payments.
- To meet our pension contribution commitments as they fall due.

The quantum of the cash target at each year-end will be influenced broadly by reference to the investment requirements of the business, and the subsequent year's anticipated full year ordinary dividend and pension payment obligations.

The Board will keep these guidelines under review and is prepared to be flexible if circumstances warrant.

Capital allocation

The Board's capital allocation framework is designed to deliver increasing Shareholder value, driven by the execution of the Group's growth strategy. The Group's capital allocation priorities are:

- **Organic growth investments**
 - Either capital projects or those expensed in the income statement.
 - Market share opportunities in existing markets.
- **Interim and final dividend payments**
 - Increasing broadly in line with earnings per share through the cycle.
 - Aim to at least maintain dividend per share in a downturn.
- **Residual legacy pension funding**
 - In line with agreed funding schedule.
 - Further de-risking initiatives, if viable.
- **Mergers & acquisitions**
 - Not a near-term priority.
 - Opportunities that would support organic growth.
- **Other Shareholder distributions**
 - Quantified by reference to cash over and above balance sheet funding requirement.
 - Special dividends most likely method: other methods may be considered.

In keeping with these capital allocation priorities and taking into account both the cash-generative nature of business operations and the Group's investment plans for 2023 and beyond, the Board has recommended a return to Shareholders of around \$56.1m by way of a special dividend of 200.00c per share, payable in June 2023.

Treasury policy

The financial requirements of the Group are managed through a centralised treasury policy. The Group operates cash pooling arrangements for its North American operations. Forward contracts may be taken out to buy or sell currencies relating to specific receivables and payables as well as remittances from overseas subsidiaries. There were no forward contracts open at the period-end or prior period-end. The Group holds most of its cash with its principal US and UK bankers.

The Group has a \$20.0m working capital facility with its principal US bank, JPMorgan Chase, N.A. The facility has a minimum EBITDA test and standard debt service coverage ratio and debt to EBITDA covenants. The interest rate is the Secured Overnight Financing Rate (SOFR) plus 2.1%, and the facility expires on 31 May 2024. In addition, an overdraft facility of £1.0m, with an interest rate of the Bank of England base rate plus 2.0% (or 2.0% if higher), is available from the Group's principal UK bank, Lloyds Bank plc, until 31 December 2023. The Group expects these facilities to be renewed prior to their respective expiry dates.

The Group had cash and bank deposits of \$86.75m at the year-end and has no current requirement or plans to raise additional equity or core debt funding.

Estimates and judgments

The preparation of the consolidated financial statements requires management to make judgments and estimates that affect the application of accounting policies, the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year.

Critical accounting judgments are those judgments, apart from those involving estimations, that have been made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. Key assumptions and sources of estimation uncertainty are those that have a significant risk of resulting in a material adjustment to the carrying amounts of the Group's assets and liabilities within the next financial year.

Management considers the critical accounting judgments to be in respect of revenue and the retirement benefit asset, and key assumptions and sources of estimation uncertainty to relate to the valuation of the defined benefit pension plan liabilities.

A review of internal and external indications of impairment was undertaken in accordance with IAS 36 for both the North American and UK cash-generating units (CGU). This did not lead to formal impairment reviews being undertaken for either CGU. The Company has released £329k from the expected credit loss provision on a loan to a subsidiary undertaking in its individual financial statements.

Viability statement

In accordance with Provision 31 of the UK Corporate Governance Code 2018, the Board has assessed the prospects and viability of the Group.

Assessment of prospects

In making their assessment of the Group's prospects, the Directors have carefully considered:

- The Group's strategy, market position and business model.
- The principal risks and uncertainties facing the Group, as outlined in this Financial Review and Appendix 1.
- Information contained in this Financial Review concerning the Group's financial position, cash flows and liquidity.
- Regular management reporting and updates from the Executive Directors.
- Recent detailed financial forecasts and analysis for the three-year period to 27 December 2025.

Principal risks and uncertainties

The Directors have carefully considered the Group's principal risks and uncertainties in assessing the Group's prospects, which include strategic risks, operational risks, reputational risks, and environmental risks. Whilst all the risks identified could have an impact on the Group, given the prevailing external climate and potential to impact the Group's financial position and longer-term viability, macroeconomic and environmental risks are considered in further detail below.

Macroeconomic risks

Whilst the risk of a negative effect on demand for our products from the pandemic is considered to have receded during the year, the macroeconomic and geopolitical environment remains challenging.

The ongoing uncertainty associated with the outlook for a potential global recession and continued geopolitical unrest poses downside risks to growth and the cost base. Inflationary pressures (mainly in relation to product, transportation, and labour costs) have persisted since the onset of the pandemic although the impact on the business has to date been successfully mitigated through appropriate and timely adjustments to the customer proposition, the marketing mix and expense budgets. In addition, the maintenance of high levels of liquidity has facilitated continued investment in the business for future growth.

The operational and financial resilience of the business through the pandemic and current economic and political uncertainty, coupled with the strong financial position of the Group, give the Board confidence that the strategy, competitive position, and business model remain entirely relevant and that despite residual uncertainty as to future market conditions, the Group expects to be in a good position both to withstand further economic stress and to take market share opportunities as they arise.

The potential impacts from the current macroeconomic risks and associated mitigating actions have been reflected in the demand and cost assumptions of the financial forecasts used to assess viability and going concern.

Environmental risks

As a primary strategic objective of the Group and as noted above in the assessment of prospects, environment-related risks and opportunities are specifically considered by the Board in their assessment of viability and going concern.

The Group has established an appropriate governance structure, in the form of the Group Environmental Committee and Business Risk Management Committee, to identify new and emerging risks related to climate change and the environment.

Environmental risks have the potential to impact the Group's ability to achieve its strategic objectives through damage to our reputation, our operational facilities and those of our supplier partners, and the failure to respond to trends and shifts in consumer product preferences.

The Group has proactively responded to these risks with several initiatives. These include the achievement of *CarbonNeutral®* company status, the installation of a solar panel array at our distribution centre in Oshkosh, the introduction of our Better Choices™ programme to make it easier for our customers to find products with the characteristics that are most important to them, and participation in the UPS carbon neutral shipping programme. The flexible nature of our 'drop-ship' model and close relationships maintained with key and alternative suppliers allows for relatively rapid adjustment to episodes of extreme weather.

Whilst governmental and societal responses to climate change risks are still developing, and therefore all possible future outcomes are not known, the Group has embedded environmental matters into its strategic objectives and sees climate change and other aspects of environmental stewardship as a fundamental part of a commitment to build a commercially and environmentally sustainable business that delivers value to all stakeholders.

The cash flow impacts of our environmental initiatives are incorporated into the financial forecasts used to assess viability and going concern.

Viability assessment period

In their assessment of viability, the Directors have reviewed the assessment period and have determined that a three-year period to 27 December 2025, in line with the Group's rolling strategic planning process, continues to be most appropriate.

In the context of the fast-moving nature of the business, its markets, and the relatively short-term nature of the order book, the Directors consider that the robustness of the strategic plan is higher in the first three years and recognises that forecast information beyond this period is significantly less reliable.

The Group's business model does not rely heavily on fixed capital, long-term contracts, or fixed external financing arrangements.

Assessment of viability

Whilst the principal risks and uncertainties outlined in this Financial Review and Appendix 1 could all have an impact on the Group's performance, the Board considers that the key factor that would prejudice the ongoing viability and liquidity of the Group would be a severe downturn in demand which negatively impacts new customer acquisition and existing customer

Group would be a severe downturn in demand, which negatively impacts new customer acquisition and existing customer retention.

The 'base case' three-year plan, developed for the purposes of the Group's strategic planning process, provides the basis for the financial modelling used to assess viability. Over the three-year period this 'base case' shows improving financial results, an accumulating cash balance and no liquidity concerns.

Severe, but plausible, downside demand assumptions were then determined and used to adjust the 'base case' forecast to model the effects on the Group's liquidity. These 'downside' scenarios assume a significant deterioration in demand patterns during 2023, similar to those experienced in 2020 when the pandemic started, with order volumes for the first year of the three-year forecast period dropping back to around 70% of 2022 levels, before gradually recovering back to 2022 order levels by 2025. Marketing and direct costs were flexed in line with revenue, capital expenditure was moderated to reflect the reduction in demand, and dividend payments were reduced in line with earnings per share, but other payroll and overhead costs remained at 2022 levels with an allowance for inflationary increases. These 'downside' scenarios are intended to simulate a severe shock to demand resulting in sustained diminished corporate demand in a downsized promotional products market.

Even under the severe stress built into the 'downside' models, the Group retains strong liquidity throughout the assessment period. This liquidity is in the form of cash balances. In addition, there are further mitigating actions that the Group could take, including further cutting marketing costs and reducing headcount, that are not reflected in the distressed forecast but would, if required, be fully under the Group's control.

Given the scalability of the Group's business model, as demonstrated over the past few years, the absence of external financing, and low fixed or working capital requirements, a reverse stress testing scenario has not been undertaken. The Group has proven during the onset of the pandemic in 2020 its ability to flex its marketing and other costs to mitigate the impact of falls in revenue and retains flexibility to further reduce other costs should the need arise.

Though the Group maintains a \$20m line of credit with its US bankers that expires on 31 May 2024 and a small overdraft facility with its UK bankers that expires on 31 December 2023, the modelling in both the 'base case' and 'downside' scenarios shows the maintenance of positive cash balances throughout the assessment period and, as such, there is no current requirement to utilise the facilities or intention to secure any additional facilities.

The assumptions used in the 'base case' and 'downside' scenarios and resulting financial forecasts have been reviewed and approved by the Board. The conclusion of this review is that the Group has significant flexibility in its variable costs, a low fixed cost base, and enters the 2023 financial year with a strong cash and bank deposits position of \$86.8m, enabling it to remain cash positive even under severe economic stress.

Confirmation of viability

Based on this review of the Group's prospects and viability, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and to meet its liabilities as they fall due, for the next three years to 27 December 2025.

Going concern

Based on their assessment, the Directors have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Company's ability to continue as a going concern from the date the financial statements are approved until 29 June 2024. Accordingly, they continue to adopt the going concern basis in preparing the Group's and Company's financial statements.

Principal Risks & Uncertainties

The Board recognises that effective risk management and a robust system of internal control are integral components of good corporate governance and are fundamental to the long-term sustainable success of the Group. Risk appetite, the risk management process, and associated mitigating activities and controls are all essential elements of the Group's strategic and operational planning processes.

Risk appetite

4imprint's business model means that it may be affected by numerous risks, not all of which are within its control. The Board seeks to take a balanced approach to the risks and uncertainties that it faces, encouraging an appetite for measured risk-taking that contributes to both the operational agility and innovative culture that it believes is necessary to meet the Group's strategic objectives. That risk appetite is, however, tempered by risk identification, evaluation and management.

Risk management process

The Board has ultimate responsibility for oversight and management of risk and control across the Group. The Audit Committee assists the Board in fulfilling its responsibilities to maintain effective governance and oversight of the Group's risk management and internal controls.

Risks are identified on a top-down and bottom-up basis from many sources, including internally, through the Board and operational and functional management teams, and externally, to ensure that emerging risks are considered. Risk identification focuses on those risks which, if they occurred, have the potential to have a material impact on the Group and the achievement of its strategic, operational and compliance objectives. Risks are categorised into the following groups: strategic risks; operational risks; reputational risks; and environmental risks.

Management is responsible for evaluating each significant risk and implementing specific risk mitigation activities and controls with the aim of reducing the resulting residual risk to an acceptable level, as determined in conjunction with the Group's risk appetite. The Business Risk Management Committee reviews the consolidated Group risk register and the mitigating actions and controls at regular meetings and provides updates to the Audit Committee on a bi-annual basis. This process is supplemented with risk and control assessments completed by the operating locations and Group function annually.

The Board

The Board undertakes a formal review of the Group's principal and emerging risks at least annually, assessing them against the Group's risk appetite and strategic objectives. The Executive Directors will routinely update the Board on urgent emerging issues and principal risks where the residual risk exceeds the Group's risk appetite to allow the Board to determine whether the actions being taken by management are sufficient.

Outlined in Appendix 1 are the current principal risks and uncertainties that would impact the successful delivery of the Group's strategic goals. These are consistent with those disclosed in the prior year. The list is not exhaustive and other, as

yet unidentified, factors may have an adverse effect.

Kevin Lyons-Tarr
Chief Executive Officer

David Seekings
Chief Financial Officer

14 March 2023

Group Income Statement for the 52 weeks ended 31 December 2022

| | Note | 2022 \$'000 | 2021 \$'000 |
|---------------------------------|------|------------------|----------------|
| Revenue | 1 | 1,140,286 | 787,322 |
| Operating expenses | | (1,037,384) | (756,676) |
| Operating profit | 1 | 102,902 | 30,646 |
| Finance income | | 1,162 | 33 |
| Finance costs | | (425) | (435) |
| Pension finance income/(charge) | | 67 | (15) |
| Net finance income/(cost) | | 804 | (417) |
| Profit before tax | | 103,706 | 30,229 |
| Taxation | 2 | (23,563) | (7,643) |
| Profit for the period | | 80,143 | 22,586 |
| | | | |
| Cents Cents | | | |
| Earnings per share | | | |
| <i>Basic</i> | 3 | 285.57 | 80.46 |
| <i>Diluted</i> | 3 | 284.95 | 80.26 |

Group Statement of Comprehensive Income for the 52 weeks ended 31 December 2022

| | Note | 2022 \$'000 | 2021 \$'000 |
|--|------|----------------|----------------|
| Profit for the period | | 80,143 | 22,586 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to the income statement:</i> | | | |
| Currency translation differences | | (1,614) | (97) |
| <i>Items that will not be reclassified subsequently to the income statement:</i> | | | |
| Return on pension scheme assets (excluding interest income) | | (16,374) | (1,391) |
| Re-measurement gains on post-employment obligations | | 11,916 | 2,506 |
| Tax relating to components of other comprehensive income | 2 | 1,756 | (1,411) |
| Other comprehensive income for the period, net of tax | | (4,316) | (393) |
| Total comprehensive income for the period, net of tax | | 75,827 | 22,193 |

Group Balance Sheet at 31 December 2022

| | Note | 2022 \$'000 | 2021 \$'000 |
|--|------|----------------|----------------|
| Non-current assets | | | |
| Property, plant and equipment | | 29,255 | 24,667 |
| Intangible assets | | 957 | 1,045 |
| Goodwill | 5 | 1,010 | - |
| Right-of-use assets | | 13,103 | 11,725 |
| Deferred tax assets | | 2,381 | 600 |
| Retirement benefit asset | 7 | 1,234 | 1,974 |
| | | 47,940 | 40,011 |
| Current assets | | | |
| Inventories | | 18,090 | 20,559 |
| Trade and other receivables | | 87,511 | 63,589 |
| Current tax debtor | | - | 2,034 |
| Other financial assets - bank deposits | | 34,913 | - |
| Cash and cash equivalents | | 51,839 | 41,589 |
| | | 192,353 | 127,771 |
| Current liabilities | | | |
| Lease liabilities | 6 | (1,435) | (1,150) |
| Trade and other payables | | (84,761) | (71,877) |
| Current tax creditor | | (1,205) | - |

| | | | | |
|-----------------------------------|---|--|-----------------|-----------------|
| | | | (87,401) | (73,027) |
| Net current assets | | | 104,952 | 54,744 |
| Non-current liabilities | | | | |
| Lease liabilities | 6 | | (12,315) | (10,939) |
| Deferred tax liabilities | | | (357) | (850) |
| | | | (12,672) | (11,789) |
| Net assets | | | 140,220 | 82,966 |
| Shareholders' equity | | | | |
| Share capital | | | 18,842 | 18,842 |
| Share premium reserve | | | 68,451 | 68,451 |
| Other reserves | | | 4,406 | 6,020 |
| Retained earnings | | | 48,521 | (10,347) |
| Total Shareholders' equity | | | 140,220 | 82,966 |

Group Statement of Changes in Shareholders' Equity for the 52 weeks ended 31 December 2022

| | | | | <u>Retained earnings</u> | | | |
|---|--|---------------|-----------------------|--------------------------|--------------|-----------------|----------------|
| | | | | | | | |
| | | Share | | | | | |
| | | Share capital | Share premium reserve | Other reserves | Own shares | Profit and loss | Total equity |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 3 January 2021 | | 18,842 | 68,451 | 6,117 | (581) | (27,458) | 65,371 |
| Profit for the period | | | | | | 22,586 | 22,586 |
| <i>Other comprehensive income</i> | | | | | | | |
| Currency translation differences | | | | (97) | | | (97) |
| Re-measurement gains on post-employment obligations | | | | | | 1,115 | 1,115 |
| Tax relating to components of other comprehensive income (note 2) | | | | | | (1,411) | (1,411) |
| Total comprehensive income | | | | (97) | | 22,290 | 22,193 |
| Own shares utilised | | | | | 573 | (573) | - |
| Own shares purchased | | | | | (843) | | (843) |
| Share-based payment charge | | | | | | 602 | 602 |
| Deferred tax relating to share options | | | | | | 5 | 5 |
| Deferred tax relating to UK tax losses | | | | | | (228) | (228) |
| Dividends | | | | | | (4,134) | (4,134) |
| Balance at 1 January 2022 | | 18,842 | 68,451 | 6,020 | (851) | (9,496) | 82,966 |
| Profit for the period | | | | | | 80,143 | 80,143 |
| <i>Other comprehensive income</i> | | | | | | | |
| Currency translation differences | | | | (1,614) | | | (1,614) |
| Re-measurement losses on post-employment obligations | | | | | | (4,458) | (4,458) |
| Tax relating to components of other comprehensive income (note 2) | | | | | | 1,756 | 1,756 |
| Total comprehensive income | | | | (1,614) | | 77,441 | 75,827 |
| Proceeds from options exercised | | | | | | 344 | 344 |
| Own shares utilised | | | | | 1,191 | (1,191) | - |
| Own shares purchased | | | | | (1,210) | | (1,210) |
| Share-based payment charge | | | | | | 815 | 815 |
| Deferred tax relating to share options | | | | | | 52 | 52 |
| Deferred tax relating to UK tax losses | | | | | | 148 | 148 |
| Dividends | | | | | | (18,722) | (18,722) |
| Balance at 31 December 2022 | | 18,842 | 68,451 | 4,406 | (870) | 49,391 | 140,220 |

Group Cash Flow Statement for the 52 weeks ended 31 December 2022

| | Note | 2022 \$'000 | 2021 \$'000 |
|---|------|----------------|----------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 8 | 97,040 | 18,257 |
| Tax paid | | (20,755) | (6,414) |
| Finance income received | | 1,130 | 33 |
| Finance costs paid | | (33) | (65) |
| Lease interest | | (398) | (377) |
| Net cash generated from operating activities | | 76,984 | 11,434 |

| Cash flows from investing activities | | |
|---|---------------|---------------|
| Purchases of property, plant and equipment | (7,719) | (3,083) |
| Purchases of intangible assets | (341) | (382) |
| Proceeds from sale of property, plant and equipment | 49 | - |
| Consideration for business combination | 5 (1,700) | - |
| Increase in current asset investments - bank deposits | (35,003) | - |
| Net cash used in investing activities | (44,714) | (3,465) |
| Cash flows from financing activities | | |
| Capital element of lease payments | (1,225) | (1,117) |
| Proceeds from share options exercised | 344 | - |
| Purchases of own shares | (1,210) | (843) |
| Dividends paid to Shareholders | 4 (18,722) | (4,134) |
| Net cash used in financing activities | (20,813) | (6,094) |
| Net movement in cash and cash equivalents | | |
| Cash and cash equivalents at beginning of the period | 41,589 | 39,766 |
| Exchange losses on cash and cash equivalents | (1,207) | (52) |
| Cash and cash equivalents at end of the period | 51,839 | 41,589 |

Notes to the Financial Statements

General information

4imprint Group plc, registered number 177991, is a public limited company incorporated in England and Wales, domiciled in the UK and listed on the London Stock Exchange. Its registered office is 25 Southampton Buildings, London WC2A 1AL.

The Group presents the consolidated financial statements in US dollars and numbers are shown in US dollars thousands. A substantial portion of the Group's revenue and earnings are denominated in US dollars and the Board is of the opinion that a US dollar presentation gives a more meaningful view of the Group's financial performance and position.

Accounting policies

The principal accounting policies applied in these financial statements are consistent with those of the annual financial statements for the period ended 1 January 2022, as described in those annual financial statements, except for the additional accounting policy detailed below.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the consideration transferred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The excess of the cost of acquisition over the Group's share of identifiable net assets is recorded as goodwill. Acquisition-related costs are expensed as incurred.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the combination. Goodwill is not amortised but is reviewed annually for impairment.

Basis of preparation

This announcement was approved by the Board of Directors on 14 March 2023. The financial information in this announcement does not constitute the Group's statutory accounts for the periods ended 31 December 2022 or 1 January 2022 but it is derived from those accounts. Statutory accounts for 1 January 2022 have been delivered to the Registrar of Companies, and those for 31 December 2022 will be delivered after the Annual General Meeting. The auditor has reported on those accounts. Their reports were unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The audited consolidated financial statements from which these results are extracted have been prepared under the historical cost convention in accordance with UK-adopted International Accounting Standards.

New accounting standards applicable for the first time in this reporting period have no impact on the Group's results or balance sheet.

Environmental risks

In preparing the financial statements, management has considered the impact of environmental risks. Whilst the impact of environmental risks is still developing and therefore all possible future outcomes are uncertain, risks known to the Group have been considered in forming judgments, estimates and assumptions and in assessing viability and going concern. These considerations did not have a material impact on the financial statements.

Going concern

In making their assessment of going concern from the date of approval of these financial statements until 29 June 2024, the Directors have carefully considered the Group's prospects:

- The Group's strategy, market position and business model.
- The principal risks and uncertainties facing the Group, as outlined in the Financial Review
- Information contained in the Financial Review concerning the Group's financial position, cash flows and liquidity.
- Regular management reporting and updates from the Executive Directors.
- Recent detailed financial forecasts and analysis.

Principal risks and uncertainties

The Directors have carefully considered the Group's principal risks and uncertainties in assessing the Group's prospects, which include strategic risks, operational risks, reputational risks, and environmental risks. Whilst all the risks identified could have an impact on the Group, given the prevailing external climate and potential to impact the Group's financial position and long-term viability, management and environmental risks are considered in further detail below.

position and longer-term viability, macroeconomic and environmental risks are considered in further detail below.

Macroeconomic risks

Whilst the risk of a negative effect on demand for our products from the pandemic is considered to have receded during the year, the macroeconomic and geopolitical environment remains challenging.

The ongoing uncertainty associated with the outlook for a potential global recession and continued geopolitical unrest poses downside risks to growth and the cost base. Inflationary pressures (mainly in relation to product, transportation, and labour costs) have persisted since the onset of the pandemic although the impact on the business has to date been successfully mitigated through appropriate and timely adjustments to the customer proposition, the marketing mix and expense budgets. In addition, the maintenance of high levels of liquidity has facilitated continued investment in the business for future growth.

The operational and financial resilience of the business through the pandemic and current economic and political uncertainty, coupled with the strong financial position of the Group, give the Board confidence that the strategy, competitive position, and business model remain entirely relevant and that despite residual uncertainty as to future market conditions, the Group expects to be in a good position both to withstand further economic stress and to take market share opportunities as they arise.

The potential impacts from the current macroeconomic risks and associated mitigating actions have been reflected in the demand and cost assumptions of the financial forecasts used to assess viability and going concern.

Environmental risks

As a primary strategic objective of the Group and as noted above in the assessment of prospects, environment-related risks and opportunities are specifically considered by the Board in their assessment of viability and going concern.

The Group has established an appropriate governance structure, in the form of the Group Environmental Committee and Business Risk Management Committee, to identify new and emerging risks related to climate change and the environment.

Environmental risks have the potential to impact the Group's ability to achieve its strategic objectives through damage to our reputation, our operational facilities and those of our supplier partners, and the failure to respond to trends and shifts in consumer product preferences.

The Group has proactively responded to these risks with several initiatives. These include the achievement of *CarbonNeutral®* company status, the installation of a solar panel array at our distribution centre in Oshkosh, the introduction of our Better Choices™ programme to make it easier for our customers to find products with the characteristics that are most important to them, and participation in the UPS carbon neutral shipping programme. The flexible nature of our 'drop-ship' model and close relationships maintained with key and alternative suppliers allows for relatively rapid adjustment to episodes of extreme weather.

Whilst governmental and societal responses to climate change risks are still developing, and therefore all possible future outcomes are not known, the Group has embedded environmental matters into its strategic objectives and sees climate change and other aspects of environmental stewardship as a fundamental part of a commitment to build a commercially and environmentally sustainable business that delivers value to all stakeholders.

The cash flow impacts of our environmental initiatives are incorporated into the financial forecasts used to assess viability and going concern.

Assessment of going concern

Whilst the principal risks and uncertainties could all have an impact on the Group's performance, the Board considers that the key factor that would prejudice the ongoing viability and liquidity of the Group would be a severe downturn in demand, which negatively impacts new customer acquisition and existing customer retention.

The 'base case' three-year plan, developed for the purposes of the Group's strategic planning process, provides the basis for the financial modelling used to assess viability. Over the three-year period this 'base case' shows improving financial results, an accumulating cash balance and no liquidity concerns.

Severe, but plausible, downside demand assumptions were then determined and used to adjust the 'base case' forecast to model the effects on the Group's liquidity. These 'downside' scenarios assume a significant deterioration in demand patterns during 2023, similar to those experienced in 2020 when the pandemic started, with order volumes for the first year of the three-year forecast period dropping back to around 70% of 2022 levels, before gradually recovering back to 2022 order levels by 2025. Marketing and direct costs were flexed in line with revenue, capital expenditure was moderated to reflect the reduction in demand, and dividend payments were reduced in line with earnings per share, but other payroll and overhead costs remained at 2022 levels with an allowance for inflationary increases. These 'downside' scenarios are intended to simulate a severe shock to demand resulting in sustained diminished corporate demand in a downsized promotional products market.

Even under the severe stress built into the 'downside' models, the Group retains strong liquidity throughout the assessment period. This liquidity is in the form of cash balances. In addition, there are further mitigating actions that the Group could take, including further cutting marketing costs and reducing headcount, that are not reflected in the distressed forecast but would, if required, be fully under the Group's control.

Given the scalability of the Group's business model, as demonstrated over the past few years, the absence of external financing, and low fixed or working capital requirements, a reverse stress testing scenario has not been undertaken. The Group has proven, during the onset of the pandemic in 2020, its ability to flex its marketing and other costs to mitigate the impact of falls in revenue and retains flexibility to further reduce other costs should the need arise.

Though the Group maintains a \$20m line of credit with its US bankers that expires on 31 May 2024 and a small overdraft facility with its UK bankers that expires on 31 December 2023, the modelling in both the 'base case' and 'downside' scenarios shows the maintenance of positive cash balances throughout the assessment period and, as such, there is no current requirement to utilise the facilities or intention to secure any additional facilities.

The assumptions used in the 'base case' and 'downside' scenarios and resulting financial forecasts have been reviewed and approved by the Board. The conclusion of this review is that the Group has significant flexibility in its variable costs, a low fixed cost base, and enters the 2023 financial year with a strong cash and bank deposits position of \$86.8m, enabling it to remain cash positive even under severe economic stress.

Going concern

Based on their assessment, the Directors have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Company's ability to continue as a going concern from the date the financial statements are approved until 29 June 2024. Accordingly, they continue to adopt the going concern basis in preparing the Group's and Company's financial statements.

Estimates and judgments

The preparation of the consolidated financial statements requires management to make judgments and estimates that affect the application of accounting policies, the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year.

Critical accounting judgments are those judgments, apart from those involving estimations, that have been made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. Key assumptions and sources of estimation uncertainty are those that have a significant risk of resulting in a material adjustment to the carrying amounts of the Group's assets and liabilities within the next financial year.

Management considers the following to be the critical accounting judgments and key assumptions and sources of estimation uncertainty:

Critical accounting judgments

Revenue

For most of its product line, the Group operates a 'drop-ship' business model whereby suppliers hold blank inventory, imprint the product and ship directly to customers. In order to determine the amount of revenue to recognise, it is necessary for the Group to make a judgment to assess if it is acting as principal or an agent in fulfilling the performance obligations and promises to customers for these transactions.

The Group has full discretion to accept orders, agrees artwork with the customer, sets the transaction price, selects the suppliers used to fulfil orders, and considers its customer satisfaction promises ('on-time or free', price and quality guarantees) to be integral to meeting its performance obligations.

Accordingly, the Group is of the opinion that it acts as principal in providing goods to customers and recognises the gross amount of consideration as revenue.

Retirement benefit asset

At the balance sheet date, the fair value of the defined benefit assets exceeded the present value of the defined benefit obligations of the 4imprint 2016 Pension Plan. Although the Group anticipates that the surplus will be utilised during the life of the plan to address members' liabilities, the Group recognises the surplus in full on the basis that it is management's judgment that there are no restrictions on the return of residual plan assets in the event of a winding up of the plan after all member obligations have been met.

Key assumptions and sources of estimation uncertainty

Pensions

As detailed in note 7, the Group sponsors a defined benefit pension scheme closed to new members and future accrual. Period-end recognition of the liabilities under this scheme requires a number of significant actuarial assumptions to be made, including inflation rate, discount rate and mortality rates. Small changes in assumptions can have a significant impact on the amounts recorded in other comprehensive income and on the pension liabilities in the balance sheet.

1 Segmental reporting

The chief operating decision maker has been identified as the Board of Directors and the segmental analysis is presented based on the Group's internal reporting to the Board.

At 31 December 2022, the Group has two operating segments, North America and UK & Ireland. The costs of the Head Office are reported separately to the Board, but this is not an operating segment.

| | 2022 \$'000 | 2021 \$'000 |
|----------------------------|------------------|----------------|
| Revenue | | |
| North America | 1,120,517 | 773,710 |
| UK & Ireland | 19,769 | 13,612 |
| Total Group revenue | 1,140,286 | 787,322 |

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| Profit | | |
| North America | 107,965 | 36,006 |
| UK & Ireland | (54) | (1,464) |
| Operating profit from Direct Marketing operations | 107,911 | 34,542 |
| Head Office costs | (5,009) | (3,896) |
| Operating profit | 102,902 | 30,646 |
| Net finance income/(cost) | 804 | (417) |
| Profit before tax | 103,706 | 30,229 |

2 Taxation

| | 2022 \$'000 | 2021 \$'000 |
|------------------------|----------------|----------------|
| <i>Current tax</i> | | |
| UK tax - current | 1,191 | - |
| Overseas tax - current | 23,970 | 5,910 |

| | | |
|---|----------------|-------|
| Overseas tax - prior periods | 24 | 15 |
| Total current tax | 25,185 | 5,925 |
| Deferred tax | | |
| Origination and reversal of temporary differences | (1,537) | 1,718 |
| Adjustment in respect of prior periods | (85) | - |
| Total deferred tax | (1,622) | 1,718 |
| Taxation | 23,563 | 7,643 |

The tax for the period is different to the standard rate of corporation tax in the respective countries of operation.

The differences are explained below:

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| Profit before tax | 103,706 | 30,229 |
| Profit before tax for each country of operation multiplied by rate of corporation tax applicable in the respective countries | 25,440 | 7,087 |
| Effects of: | | |
| Adjustments in respect of prior periods | (61) | 15 |
| Expenses not deductible for tax purposes and non-taxable income | (16) | 4 |
| Other differences | (417) | 62 |
| UK tax losses utilised in the period | (196) | (274) |
| UK losses (recognised)/de-recognised for deferred tax | (1,187) | 749 |
| Taxation | 23,563 | 7,643 |

'Other differences' includes adjustments in respect of share options, US leases and a US Federal tax credit of \$472k for the investment in a solar array at the Oshkosh distribution centre.

'UK losses (recognised)/de-recognised for deferred tax' relates to changes to the deferred tax asset in respect of brought forward UK tax losses which are forecast to be utilised against UK taxable profits over the next three years.

Management does not consider that there are any material uncertain tax positions.

Income tax credited/(debited) to other comprehensive income is as follows:

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| Current tax relating to post-employment obligations | 1,191 | - |
| Deferred tax relating to post-employment obligations | (344) | (213) |
| Deferred tax relating to UK tax losses | 876 | (1,198) |
| Effect of change in UK tax rate | 33 | - |
| | 1,756 | (1,411) |

Income tax credited/(debited) to equity is as follows:

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| Deferred tax relating to UK tax losses | 148 | (228) |
| Deferred tax relating to share options | 52 | 5 |
| | 200 | (223) |

3 Earnings per share

Basic and diluted

The basic and diluted earnings per share are calculated based on the following data:

| | 2022 \$'000 | 2021 \$'000 |
|-------------------------|----------------|----------------|
| Profit after tax | 80,143 | 22,586 |

| | 2022 Number '000 | 2021 Number '000 |
|--|------------------------|------------------------|
| Basic weighted average number of shares | 28,064 | 28,072 |
| Adjustment for employee share options | 61 | 68 |
| Diluted weighted average number of shares | 28,125 | 28,140 |

| | 2022 Cents | 2021 Cents |
|----------------------------|---------------|---------------|
| Basic earnings per share | 285.57 | 80.46 |
| Diluted earnings per share | 284.95 | 80.26 |

The basic weighted average number of shares excludes shares held in the 4imprint Group plc employee benefit trust. The effect of this is to reduce the average number by 21,632 (2021: 13,888).

The basic earnings per share is calculated based on the profit for the financial period divided by the basic weighted average number of shares.

For diluted earnings per share, the basic weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares. The potential dilutive ordinary shares relate to those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares and which are likely to vest at the balance sheet date.

4 Dividends

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| Equity dividends - ordinary shares | | |
| Interim paid: 40.00c (2021: 15.00c) | 10,587 | 4,134 |
| Final paid: 30.00c (2021: 00.00c) | 8,135 | - |
| | 18,722 | 4,134 |

The Directors are proposing a final regular dividend in respect of the period ended 31 December 2022 of 120.00c per share, as well as a special dividend of 200.00c per share. Subject to Shareholder approval at the AGM, these dividends are payable on 1 June 2023 to Shareholders registered on 5 May 2023. These financial statements do not reflect these proposed dividends.

5 Business combinations

Acquisition of screen-printing business

On 25 April 2022, the Group acquired the trade and assets of Fox Graphics Ltd, a private company based in Oshkosh, Wisconsin, that specialises in screen-printing services. The acquired screen-printing operations will enable the Group to bring this capability in-house. With future investment the objective is to secure the capacity to meet the anticipated growth in demand for the apparel category.

The acquisition constitutes a business combination as defined in IFRS 3, as the three elements of a business (input, process, output) have been identified as having been acquired. Accordingly, the acquisition has been accounted for using the acquisition method.

The fair values of the identifiable assets acquired and liabilities assumed as at the date of acquisition were:

| | Fair value recognised on acquisition \$'000 |
|--|---|
| Assets | |
| Property, plant and equipment | 686 |
| Computer hardware | 4 |
| Right-of-use assets | 111 |
| | 801 |
| Liabilities | |
| Lease liabilities | (111) |
| | (111) |
| Total identifiable net assets at fair value | 690 |
| Goodwill arising on acquisition | 1,010 |
| Purchase consideration transferred | 1,700 |
| Analysis of cash flows on acquisition: | |
| Cash paid | 1,700 |
| Net cash flow on acquisition | 1,700 |

In addition to the purchase consideration transferred, a potential further \$560,000 is payable in annual instalments over the five-year period following closing, subject to certain conditions being satisfied, including the continued employment of the selling shareholder with the Group. These contingent payments constitute remuneration for future services and will be expensed to profit and loss as services are rendered; \$67,000 has been recognised in operating expenses in the income statement and in trade and other payables in the balance sheet.

Reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period is presented below:

| | Goodwill \$'000 |
|---|--------------------|
| Cost | |
| At 2 January 2022 | - |
| Acquisition of screen-printing trade and assets | 1,010 |
| At 31 December 2022 | 1,010 |

The Group did not acquire any receivables as part of the business combination.

The acquired business generated revenues and net income of approximately \$2.0m and \$0.4m respectively for the twelve months ended 31 December 2021. The Group was the principal customer of the acquired business, contributing

approximately \$1.7m of the total \$2.0m of revenue and approximately \$0.3m of the total \$0.4m net income.

The impact on the Group's financial statements, both from the date of acquisition and as if the acquisition had taken place at the beginning of the period, are not material as demonstrated by the full year results of Fox Graphics Ltd noted above. As most of the revenue of the acquired business was contributed by the Group, these transactions will be eliminated upon consolidation from the date of acquisition as intra-group trading and thus only external sales will impact Group revenue (based on 2021 results, this would be expected to add circa \$0.3m to revenue for a full year). The Group will benefit from lower product costs associated with integrating the production operations of Fox Graphics Ltd; based on 2021 results and without any new investment by the Group, the acquisition would be expected to add circa \$0.4m to the Group's profit before tax for a full year.

The goodwill recognised is primarily attributable to the specialised operational knowledge acquired and benefits of bringing the activities of the screen-printing business in-house to secure capacity and support the growing demand for decorated garments from our customers. The total amount of goodwill that is expected to be deductible for tax purposes is \$1,010,000.

As required by IAS 36 'Impairment of Assets', goodwill is required to be tested for impairment annually. The screen-printing operations contribute to the cash flows of the US CGU and therefore the goodwill arising on acquisition has been tested in conjunction with the other assets of that CGU. The recoverable amount of the US CGU exceeds the carrying amount of the assets and thus no impairment of the goodwill balance is required.

Total acquisition-related transaction costs of \$17,000 have been included in operating expenses in the income statement and are part of operating cash flows in the cash flow statement.

6 Leases

The Group leases premises in Oshkosh and Appleton, Wisconsin. The lease for office premises in Oshkosh, that was renewed in 2020, has a five-year term with a five-year extension option. New leases entered during the period as part of the strategic decision to bring screen-printing capability in-house are as follows:

- A seventeen-month sublease on premises in Oshkosh entered as part of the acquisition of the trade and assets of Fox Graphics Ltd (see note 5) resulted in additions to the lease liability and right-of-use asset of \$111k respectively.
- A new ten-year lease on premises in Appleton was subsequently entered into to facilitate the expansion of the screen-printing operations, adding \$2,775k to lease liabilities and right-of-use assets respectively. The interest rate inherent in the lease could not be ascertained; therefore, estimates have been used based upon incremental costs of borrowing for a similar term and asset, obtained from the Group's US bankers. A change of plus or minus 1.0% in the interest rate would result in a decrease/increase in the lease liability at the year-end of \$0.1m respectively.

In addition, there are various items of leasehold land and buildings (office facilities in London) and machinery on short-term leases, and some office equipment with low value. The Group applies the IFRS 16 exemptions for short-term and low value leases. No leases contain variable payment terms.

| Lease liabilities | 2022 \$'000 | 2021 \$'000 |
|---------------------------|----------------|----------------|
| Due within one year | 1,435 | 1,150 |
| Due in two to three years | 2,955 | 2,407 |
| Due in four to five years | 3,449 | 2,733 |
| Due in over five years | 5,911 | 5,799 |

The movement in lease liabilities in the period is shown below:

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| At start of period | 12,089 | 13,206 |
| Additions | 2,886 | - |
| Interest charge | 398 | 377 |
| Lease interest payments - operating cash flow | (398) | (377) |
| Lease capital payments - financing cash flow | (1,225) | (1,117) |
| At end of period | 13,750 | 12,089 |

7 Employee pension schemes

The Group operates defined contribution plans for its UK and US employees. The regular contributions are charged to the income statement as they are incurred. The charges recognised in the income statement are:

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| Defined contribution plans - employers' contributions | 2,533 | 2,117 |

The Group also sponsors a UK defined benefit pension scheme which is closed to new members and future accrual.

The amounts recognised in the income statement are as follows:

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| Administration costs paid by the scheme | 521 | 340 |
| Pension finance (income)/charge | (67) | 15 |
| Total defined benefit pension charge | 454 | 355 |

The amounts recognised in the balance sheet comprise:

| 2022 \$'000 | 2021 \$'000 |
|----------------|----------------|
|----------------|----------------|

| | 2022 | 2021 |
|--|--------------|--------------|
| Present value of funded obligations | (20,290) | (37,826) |
| Fair value of scheme assets | 21,524 | 39,800 |
| Net asset recognised on the balance sheet | 1,234 | 1,974 |

The principal assumptions applied by the actuaries, as determined by the Directors, at each period-end were:

| | 2022 | 2021 |
|---|------|------|
| | % | % |
| Rate of increase in pensions in payment | 3.08 | 3.25 |
| Rate of increase in deferred pensions | 2.66 | 2.75 |
| Discount rate | 4.82 | 1.80 |
| Inflation assumption - RPI | 3.16 | 3.35 |
| - CPI | 2.66 | 2.75 |

The mortality assumptions adopted at 31 December 2022 reflect the most recent version of the tables used in the September 2019 triennial valuation. The assumptions imply the following life expectancies at age 65:

| | 2022 | 2021 |
|--------------------------|-------|-------|
| | Years | Years |
| Male currently aged 45 | 22.3 | 22.3 |
| Female currently aged 45 | 24.2 | 24.2 |
| Male currently aged 65 | 21.3 | 21.3 |
| Female currently aged 65 | 23.1 | 23.0 |

8 Cash generated from operations

| | 2022 | 2021 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Profit before tax | | |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 3,594 | 3,237 |
| Amortisation of intangible assets | 424 | 437 |
| Amortisation of right-of-use assets | 1,508 | 1,340 |
| Loss on disposal of property, plant and equipment | 84 | - |
| Share option charges | 815 | 602 |
| Net finance (income)/cost | (804) | 417 |
| Defined benefit pension administration charge | 521 | 340 |
| Contributions to defined benefit pension scheme | (4,367) | (4,589) |
| <i>Changes in working capital:</i> | | |
| Decrease/(increase) in inventories | 2,469 | (9,288) |
| Increase in trade and other receivables | (24,164) | (26,831) |
| Increase in trade and other payables | 13,254 | 22,363 |
| Cash generated from operations | 97,040 | 18,257 |

Statement of Directors' responsibilities

Each of the Directors confirm, to the best of their knowledge:

- The financial statements within the full Annual Report and Accounts from which the financial information within this Final Results Announcement has been extracted, have been prepared in accordance with UK-adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company and undertakings included in the consolidation taken as a whole.
- The Chief Executive's Review and Financial Review, and Principal Risks & Uncertainties include a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces.

Alternative performance measures

An Alternative Performance Measure (APM) is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified within IFRS.

The Group uses APMs to supplement standard IFRS measures to provide users with information on underlying trends and additional financial measures, which the Group considers will aid the users' understanding of the business.

Definitions

Underlying operating profit is profit before exceptional items. Exceptional items are defined below. These items may be volatile in magnitude and distort the underlying performance measures of the ongoing business. A reconciliation of underlying operating profit to operating profit is shown in note 1 when applicable.

Underlying operating margin % is underlying operating profit divided by total revenue.

Exceptional items are income or costs that are both material and non-recurring.

Underlying profit before tax is defined as profit before tax excluding exceptional items. When applicable, a reconciliation of profit before tax to underlying profit before tax is shown in note 3.

Underlying profit after tax is defined as profit after tax before exceptional items, net of any related tax charges. When applicable, a reconciliation of profit before tax to underlying profit after tax is shown in note 3.

Underlying earnings per share is defined as underlying profit after tax divided by the weighted average number of shares in issue during the financial year. When applicable, the calculation of underlying EPS is shown in note 3.

Revenue per marketing dollar is the total revenue of the Group divided by the total marketing expense of the Group. This provides a measure of the productivity of the marketing expenditure, which is a cornerstone of the Group's organic revenue growth strategy.

Free cash flow is defined as the movement in cash and cash equivalents and other financial assets - bank deposits, before distributions to Shareholders but including exchange gains/(losses) on cash and cash equivalents. It is a measure of cash available for allocation in line with the Group's capital allocation policy.

| | 2022 \$m | 2021 \$m |
|--|--------------|-------------|
| Net movement in cash and cash equivalents | 11.46 | 1.87 |
| Add back: Increase in current asset investments - bank deposits | 35.00 | - |
| Add back: Exchange loss on increase in current asset investments - bank deposits | (0.09) | - |
| Add back: Dividends paid to Shareholders | 18.72 | 4.13 |
| Less: Exchange losses on cash and cash equivalents | (1.21) | (0.05) |
| Free cash flow | 63.88 | 5.95 |

Cash conversion is defined as the percentage of underlying operating cash flow to underlying operating profit and is provided as a measure of the efficiency of the Group's business model to generate cash.

Return on average capital employed is defined as underlying profit before tax divided by the simple average of opening and closing non-current assets, excluding deferred tax, plus net current assets and non-current lease liabilities. This is given to show a relative measure of the Group's efficient use of its capital resources.

Capital expenditure is defined as purchases of property, plant and equipment and intangible assets net of proceeds from the sale of property, plant and equipment. These numbers are extracted from the cash flows from investing activities shown in the Group cash flow statement.

| | 2022 \$m | 2021 \$m |
|---|---------------|---------------|
| Purchase of property, plant and equipment | (7.72) | (3.09) |
| Purchases of intangible assets | (0.34) | (0.38) |
| Proceeds from sale of property, plant and equipment | 0.05 | - |
| Capital expenditure | (8.01) | (3.47) |

Underlying operating cash flow is defined as cash generated from operations, before pension contributions, less capital expenditure. This reflects the cash flow directly from the ongoing business operations. This is reconciled to IFRS measures as follows:

| | 2022 \$m | 2021 \$m |
|--|--------------|--------------|
| Cash generated from operations | 97.04 | 18.25 |
| Add back: Contributions to defined benefit pension scheme | 4.37 | 4.59 |
| Less: Loss on disposal of property, plant and equipment | (0.08) | - |
| Less: Purchases of property, plant and equipment and intangible assets | (8.06) | (3.47) |
| Add: Proceeds from sale of property, plant and equipment | 0.05 | - |
| Underlying operating cash flow | 93.32 | 19.37 |

Cash and bank deposits is defined as cash and cash equivalents and other financial assets - bank deposits. This measure is used by the Board to understand the true cash position of the Group when determining the potential uses of cash under the balance sheet funding and capital allocation policies. This is reconciled to IFRS measures as follows:

| | 2022 \$m | 2021 \$m |
|--|--------------|--------------|
| Cash and cash equivalents | 51.84 | 41.59 |
| Other financial assets - bank deposits | 34.91 | - |
| Cash and bank deposits | 86.75 | 41.59 |

Appendix 1

| STRATEGIC RISKS | | |
|--|---|---|
| Macroeconomic conditions | | |
| Risk and description | | |
| <p>The Group conducts most of its operations in North America and would be affected by a downturn in general economic conditions in this region or negative effects from tension in international trade. In previous economic downturns the promotional products market has typically softened broadly in line with the general economy.</p> | | |
| Strategic relevance | Mitigation | Direction |
| <ul style="list-style-type: none"> Customer acquisition and retention could fall, impacting revenue in current and future periods. The growth and profitability levels called for in the Group's strategic plan may not be achieved. Cash generation could be reduced broadly corresponding to a reduction in profitability. | <ul style="list-style-type: none"> Management monitors economic and market conditions to ensure that appropriate and timely adjustments are made to marketing and other budgets. The customer proposition in terms of promotions, price, value, and product range can be adjusted to resonate with customer requirements and budgets in changing economic climates. The Group's balance sheet funding policy provides operational and financial flexibility to facilitate continued investment in the business through different economic cycles. | <ul style="list-style-type: none"> Whilst concerns remain with respect to potential new COVID-19 virus variants, the risk of a negative effect on demand for our products arising from the pandemic is considered to have receded. A challenging macroeconomic and geopolitical environment continues to cause uncertainty in our North American and UK markets, posing downside risks to general economic conditions and growth. Persistent inflationary pressures could drive up product, transportation and labour costs. <p>Unchanged</p> |
| Markets & competition | | |
| Risk and description | | |
| <p>The promotional products markets in which the business operates are intensely competitive. New or disruptive business models looking to break down our industry's prevailing distributor/supplier structure may become a threat. Buying groups and online marketplaces may allow smaller competitors access to improved pricing and services from suppliers. Private equity interest in the promotional products industry has increased in recent years, offering potential funding for existing competitors or new entrants.</p> | | |
| Strategic relevance | Mitigation | Direction |
| <ul style="list-style-type: none"> Aggressive competitive activity or a disruptive new model could result in pressure on prices, margin erosion and loss of market share, impacting the Group's financial results. The Group's strategy based on achieving organic revenue growth in fragmented markets may need to be reassessed. Customer acquisition and retention could fall, impacting revenue in current and future periods. | <ul style="list-style-type: none"> Service level, price and satisfaction guarantees are an integral part of the customer proposition. Negative or changing customer feedback is investigated and addressed rapidly. Customers are surveyed regularly to monitor changing customer interests and perceptions. Merchandising and supply chain teams have extensive experience in rapidly adapting the product range to meet evolving consumer demand. Our aim is to position the business at the forefront of innovation in the industry, driven by an open-minded culture that is customer-focused, embraces collaborative supplier relationships, and has an appetite for technology. Management closely monitors competitive activity in the marketplace including periodic market research studies. | <ul style="list-style-type: none"> The competitive landscape to date has been relatively consistent on the distributor side in our main markets. <p>Unchanged</p> |
| Effectiveness of key marketing techniques and brand development | | |
| Risk and description | | |
| <p>The success of the business relies on its ability to attract new and retain existing customers through a variety of marketing techniques. These methods may become less effective as follows:</p> <p><small>Trade/Brand fluctuations is available in the notes to the financial statements. The price of this technique is increasing beyond</small></p> | | |

- **TV/video/brand:** Fluctuations in available inventory may cause the price of this technique to increase beyond our acceptable thresholds. The evolving nature of how consumers access this type of content could change our ability to effectively access our audience.
- **Online:** Search engines are an important source for channelling customer activity to 4imprint's websites. The efficiency of search engine marketing could be adversely affected if the search engines were to modify their algorithms or otherwise make substantial changes to their practices.
- **Offline:** The flow of print catalogues and sample packages would be disrupted by the incapacity of the US Postal Service to make deliveries, for example due to natural disasters or labour activism. Pandemic conditions that lead to increased levels of people working from remote locations may diminish the effectiveness of this technique.

The evolving landscape around consumer data privacy preferences and data privacy legislation potentially affects all marketing techniques if it compromises our ability to access and analyse customer information or results in any adverse impacts to our brand image and reputation.

| Strategic relevance | Mitigation | Direction |
|--|--|--|
| <ul style="list-style-type: none"> If sustained over anything more than a short time period, an externally driven decrease in the effectiveness of key marketing techniques would cause damage to the customer file as customer acquisition and retention fall. This would affect order flow and revenue in the short-term and the productivity of the customer file over a longer period, impacting growth prospects in future years. Restrictive data privacy legislation or changes in consumer demands around data privacy could decrease the yield on our marketing activities and might increase compliance costs and the possibility of lawsuits. | <ul style="list-style-type: none"> TV/Video/Brand: Given that this is the newest element of our marketing portfolio, our utilisation of this technique is still at a relatively early stage of its development, allowing for a high degree of flexibility. Online: Management stays very close to new developments and emerging platforms in the online space. Efforts are focused on anticipating changes and ensuring compliance with both the requirements of providers and applicable laws. Offline: Developments in the US Postal Service are closely monitored through industry associations and lobbying groups. Alternative parcel carriers are continuously evaluated. Data privacy requirements and consumer data preferences are monitored closely and assessed. | <ul style="list-style-type: none"> Marketing diversification continues via the successful integration of a brand component to the marketing portfolio. The trend towards 'work-from-home', accelerated by the COVID-19 pandemic, has negatively impacted response rates for print catalogues. This has resulted in a successful redeployment of offline/print budget towards further investment in brand and online marketing. The business has significantly reduced the amount of data it shares, increasingly relying on first party data. <p>Unchanged</p> |

OPERATIONAL RISKS

Business facility disruption

Risk and description

The 4imprint business model means that operations are concentrated in centralised office, distribution and production facilities. The performance of the business could be adversely affected if activities at one of these facilities were to be disrupted, for example, by pandemic, fire, flood, loss of power or internet/telecommunication failure.

| Strategic relevance | Mitigation | Direction |
|---|--|---|
| <ul style="list-style-type: none"> The inability to service customer orders over any extended period would result in significant revenue loss, deterioration of customer acquisition and retention metrics and diminished return on marketing investment. A significant portion of our apparel orders are embroidered in-house at our distribution centre, therefore disruption at this facility would impact our ability to fulfil these orders. The Group's reputation for excellent service and reliability may be damaged. | <ul style="list-style-type: none"> Back-up and business continuity infrastructure is in place to ensure the risk of customer service disruption is minimised. Websites are cloud-based, and data is backed up continuously to off-site servers. Relationships are maintained with third party embroidery contractors to provide an element of back-up in the event of facility unavailability. Our recently acquired screen-printing operations have been located separately to our existing distribution centre to diversify the risk of disruption to our facilities. A significant proportion of our office and customer service staff can work from home, mitigating some risk should offices become unavailable. | <ul style="list-style-type: none"> Whilst concerns remain with respect to potential new COVID-19 virus variants, the risk of potential shutdown of one or all of our facilities from a return to 'lockdown' type restrictions is considered to have receded. <p>Decreased</p> |

Domestic supply and delivery

Risk and description

As a consequence of the Group's 'drop-ship' distribution model, trading operations could be interrupted if: (i) the activities of a key supplier were disrupted and it was not possible to source an alternative supplier in the short-term; (ii) a key supplier's own supply chain is compromised by 'force majeure' events in the country of original product manufacture, for example natural disasters, social/political unrest or pandemic; or (iii) the primary parcel delivery partner used by the business suffered significantly degraded service levels. As the Group continues to grow, the volume of orders placed with individual suppliers becomes significant.

| Strategic relevance | Mitigation | Direction |
|--|--|---|
| <ul style="list-style-type: none"> Inability to fulfil customer orders would lead to lost revenue and a negative impact on customer acquisition and retention statistics. The Group's reputation for excellent service and reliability may be damaged, leading to potential erosion of the value built up in the 4imprint brand. | <ul style="list-style-type: none"> A rigorous selection process is in place for key suppliers, with evaluation and monitoring of quality, production capability and capacity, ethical standards, financial stability and business continuity planning. Very close relationships are maintained with key suppliers, including a detailed shared knowledge of the supply end of the value chain, allowing swift understanding of and appropriate reaction to events. Wherever possible, relationships are maintained with suitable alternative suppliers for each product category. Secondary relationships are in place with alternative parcel carriers. | <ul style="list-style-type: none"> The significant growth in demand experienced during the year has led to increased volumes being placed with certain individual suppliers. This has led to an increase in the inherent risk of supplier concentration, although the Group continues to manage this risk through relationships with alternative suppliers. The disruption to global and local supply chains, initially caused by the impact of the pandemic, continues to persist. The lessening impact from COVID-19 on the Group's ability to fulfil customer orders on a timely basis has been offset with ongoing challenges in the recruitment of staff by both the Group and our supply partners, the risk of strikes at our parcel delivery partners, and elevated order levels experienced during the period. Whilst the residual risk continues to remain elevated, it is considered to have stabilised in comparison to the prior year. <p>Unchanged</p> |

| Failure or interruption of information technology systems and infrastructure | | |
|--|---|--|
| Risk and description | | |
| The business is highly dependent on the efficient functioning of its IT infrastructure. An interruption or degradation of services at any 4imprint operational facility would affect critical order processing systems and thereby compromise the ability of the business to deliver on its customer service proposition. | | |
| Strategic relevance | Mitigation | Direction |
| <ul style="list-style-type: none"> In the short-term, orders would be lost and delivery deadlines missed, decreasing the efficiency of marketing investment and impacting customer acquisition and retention. Revenue and profitability are directly related to order flow and would be adversely affected as a consequence of a major IT failure. Depending on the severity of the incident, longer-term reputational damage could result. | <ul style="list-style-type: none"> There is continuous investment in both the IT team supporting the business and the hardware and software system requirements for a stable and secure operating platform. Back-up and recovery processes are in place, including immediate replication of data to an alternative site, to minimise the impact of information technology interruption. Cloud-based hosting for eCommerce and elements of back-office functionality. IT Infrastructure in place to support working from home for our office-based team members. | <ul style="list-style-type: none"> The IT platform is mature, and performance has been efficient and resilient, including through the COVID-19 pandemic and more recently with higher levels of staff working from home. The rollout of our home working computer solution is now complete, enabling the vast majority of our office-based team members to work from home. <p>Unchanged</p> |

| REPUTATIONAL RISKS | | |
|---|--|--|
| Cyber threats | | |
| Risk and description | | |
| Malware, ransomware and other malicious cyber threats can lead to system failure and/or unauthorised access to and misappropriation of customer data, potentially leading to reputational damage and loss of customer confidence. This is a rapidly changing environment, with new threats emerging on an almost daily basis. | | |

| Strategic relevance | Mitigation | Direction |
|---|--|---|
| <ul style="list-style-type: none"> Revenue and profitability are directly related to order flow and would be adversely affected as a consequence of system compromise. A significant security breach could lead to litigation and losses, with a costly rectification process. In addition, it might be damaging to the Group's reputation and brand. An event of this nature might result in significant expense, impacting the Group's ability to meet its strategic objectives. | <ul style="list-style-type: none"> The business employs experienced IT staff whose focus is to identify and mitigate IT security vulnerabilities. Investment in software and other resources in this area continues to be a high priority. Technical and physical controls are in place to mitigate unauthorised access to customer data and there is an ongoing investment process to maintain and enhance the integrity and efficiency of the IT infrastructure and its security. Due to the ever-evolving nature of the threat, emerging cyber risks are addressed by the IT security team on a case-by-case basis. Third party cyber security consultants are employed as and when appropriate. | <ul style="list-style-type: none"> The expected frequency, sophistication and publicity around cyber crime continues to increase. Accordingly, a high residual risk assessment continues to be maintained. <p>Unchanged</p> |

| Supply chain compliance & ethics | | |
|--|---|--|
| Risk and description | | |
| Strategic relevance | Mitigation | Direction |
| <ul style="list-style-type: none"> Significant or continuing non-compliance with such standards and laws could result in serious damage to our reputation and brand image. This could have an adverse effect on our ability to acquire and retain customers and therefore our longer-term revenue prospects and financial condition. | <ul style="list-style-type: none"> Key tier 1 suppliers must commit to cascading our ethical sourcing expectations down to their tier 2 and tier 3 supply chain partners. Specifically, we require our suppliers to comply with our supplier compliance documentation, including the '4imprint Supply Chain Code of Conduct' and the '4imprint Factory & Product Compliance Expectations' document. We are active in promoting audit coverage of our supply chain at many levels, and in ensuring that product safety and testing protocols are adequate and up to date. | <ul style="list-style-type: none"> Our supplier compliance programme is well established. Whilst visits to, and audits of, both domestic and overseas suppliers have increased since the start of the COVID-19 pandemic, challenges in visiting certain locations continue to persist. <p>Unchanged</p> |

| Legal, regulatory and compliance | | |
|---|---|---|
| Risk and description | | |
| Strategic relevance | Mitigation | Direction |
| <ul style="list-style-type: none"> If we or our employees, suppliers and other partners fail to comply with any of these laws or regulations, such failure could subject us to fines, sanctions or other penalties that could negatively affect our brand, reputation and financial condition. | <ul style="list-style-type: none"> Consultation with subject matter experts, specialist external legal advisers and Government agencies as appropriate. US General Counsel recruited during 2022. | <ul style="list-style-type: none"> Obligations continue to be complied with and monitored. <p>Unchanged</p> |

| ENVIRONMENTAL RISKS |
|----------------------------|
| Climate change |

Risk and description

Climate change potentially affects our operations, facilities, supply chain, team members, communities and our customers in a variety of ways. As such, it presents a multitude of risks to the business and threatens our ability to achieve our strategic objectives.

| Strategic relevance | Mitigation | Direction |
|---|---|--|
| <ul style="list-style-type: none"> Extreme weather-related events that impact our customers and/or our suppliers can have 'episodic' negative impact on revenue, customer acquisition and retention, and they can also cause increases to our product and distribution costs. Some of our suppliers are located in geographic areas that are subject to increased risk of these events. Further, if the business is not seen to be taking deliberate and tangible actions to reduce its GHG emissions, the Group's reputation and brand may be damaged. | <ul style="list-style-type: none"> The flexible nature of our 'drop-ship' model allows for relatively rapid adjustment to episodes of extreme weather. The business has very low customer concentration which helps mitigate an element of the risk as well. The business became 'carbon neutral' in 2021 in respect of Scopes 1 and 2 and meaningful elements of Scope 3, a year earlier than originally targeted. Our solar array project at the Oshkosh distribution centre became fully operational during 2022, significantly increasing the portion of the Group's power requirements generated from renewable sources. Management is actively monitoring and measuring progress towards further environmental goals, most notably further GHG reductions in Scopes 1 and 2 and meaningful elements of Scope 3. | <ul style="list-style-type: none"> There remains a global sense of urgency in relation to climate change. As such, the risks in this area remain elevated, albeit they are considered stable over the period. <p>Unchanged</p> |

Products and market trends

Risk and description

The transition to a low carbon economy may lead to changing product trends or consumer preferences that render certain products undesirable or obsolete whilst increasing demand for others.

| Strategic relevance | Mitigation | Direction |
|--|---|--|
| <ul style="list-style-type: none"> Failure to anticipate accurately, and respond to, trends and shifts in consumer preferences by adjusting the mix of existing product offers may lead to lower demand for our products, impacting our market position and ability to generate revenue growth. | <ul style="list-style-type: none"> Our merchandising teams actively collaborate with our suppliers to continuously curate our range of products to adapt to and meet the needs and tastes of our customers. Our Better Choices™ initiative has been launched to highlight promotional products that have sustainable attributes, giving our customers the ability to research product attributes and supplier standards and certifications related to sustainability, environmental impact, workplace culture and more. | <ul style="list-style-type: none"> The transition to a low carbon economy is driving changes in consumer preferences towards sustainable products. However, the fact that most of the products in our broad range are also sold unbranded in the retail setting, and with the launch of our Better Choices™ initiative, the pace of the transition towards sustainable choices is likely to remain quite manageable. <p>Decreased</p> |

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