

26 March 2024

Portmeirion Group PLC
(the "Group")

Preliminary results for the year ended 31 December 2023

A resilient sales performance against backdrop of tougher US & Asian markets

Portmeirion Group PLC, the owner, designer, manufacturer and omni-channel retailer of leading homeware brands in global markets, announces its preliminary results for the year ended 31 December 2023.

Financial summary

	2023 £m	2022 £m
Revenue	102.7	110.8
Headline profit before tax¹	3.0	8.0
Statutory (Loss)/profit before tax	(8.5)	7.0
Headline EBITDA¹	9.2	13.2
EBITDA	8.5	12.1
Headline basic earnings per share¹	21.36p	46.59p
Statutory Basic (loss)/earnings per share	(61.46)p	40.39p
Dividends paid and proposed per share (total in respect of the year)	5.50p	15.50p
Free cash flow	4.4	-8.7
Net debt	-7.9	-10.1

¹ Headline profit before tax, headline operating margin, headline EBITDA and headline basic earnings per share exclude exceptional items - see notes 2 and 4. Exceptional items include the non-cash impairment charge on the home fragrance division of £10.9 million.

Headlines:

Financial

- Group revenue of £102.7 million in the year to 31 December 2023 (2022: £110.8 million), in line with market expectations and a resilient performance against tough trading conditions in the US and South Korea.
- Headline EBITDA¹ of £9.2 million (2022: £13.2 million) and headline operating margin¹ of 4.7% (2022: 7.8%) reflecting reduced revenue and operational gearing.
- Headline profit before tax¹ of £3.0 million (2022: £8.0 million) in line with market expectations.
- Good Christmas trading period with robust demand across our portfolio of consumer goods brands.
- Return to sales growth in Wax Lyrical division and further 16% growth in ROW sales markets, in line with our diversification strategy.
- Much improved free cash free cash flow generation of £4.4 million (2022: free cash outflow of £8.7 million).
- Inventory levels successfully reduced by 13% to £36.0 million (2022: £41.1 million) as part of medium-term plan to return to 2021 volume level.
- Balance sheet remains robust with net debt improved to £7.9 million (2022: £10.1 million) and significant headroom within current borrowing facilities.
- Final dividend proposed of 2.00p per share reflects prudence given the ongoing macro-economic

uncertainty and continued prioritisation of further reduction to net debt. Total dividends paid and proposed of 5.50p per share (2022: 15.50p).

- Non-cash impairment of £10.9 million in home fragrance division driven by higher cost of capital at 17.5% (2022: 8.6%) and trading performance failing to return to pre-Covid levels, although underlying performance of the division has improved.

Operational

- Improved gross margin performance of 130 bps in US market - a key part of our long term goal for improving operating margins.
- Improving productivity in Stoke-on-Trent ceramic factory driven by ongoing automation programme.
- Spode brand continues to grow, led by Spode Christmas Tree range and benefit from new collaboration with Kit Kemp Design Studio.
- Home fragrance sales grew by 24% due to new listing wins in the UK grocery channel in Asda and Tesco and full year impact from the acquisition of the AromaWorks London brand.
- Positive reaction to 2024 product launches at trade fairs with strong opening customer orders.
- Launch of new sustainability strategy 'Crafting a Better Future' demonstrates the Group's commitment to becoming a more sustainable business. Energy usage reduced by 8% compared to the prior year.

Current Trading & Outlook

- We are on track to achieve the Board's profit expectations for the year, supported by the reorganisation and restructuring of our cost base in the last few months to provide a significantly leaner operating model going forward. As a result of these measures, we anticipate overhead costs will be approximately 10% lower (£4 million) in 2024 than the prior year.
- As set out in January trading update, we expect 2024 to be a challenging year due to ongoing macro uncertainty with customers remaining cautious in relation to H1 order flow. This is particularly noticeable in the South Korean market which we expect to remain subdued as Asian markets continue to suffer from difficult economic conditions. Accordingly, we expect in H1, our traditionally quieter half, Group sales to be down on the previous year, before returning to growth in H2 although sales performance remains difficult to predict.
- In the US and UK, we expect a modestly improved performance during the year and anticipate further progress in ROW markets and continued sales growth in our home fragrance division, Wax Lyrical. Encouragingly, our current US Christmas advance orders are significantly ahead as at the same point last year.

Mike Raybould, Chief Executive commented:

"Our brands continue to prove resilient despite the tougher economic backdrop for consumer goods. We are encouraged by our continued growth in ROW markets, a return to growth in our Wax Lyrical division and a good Christmas sales period. We expect US and UK markets will show modest growth in 2024 and are encouraged by our current US Christmas advance orders that are significantly ahead of last year. As we highlighted in January, Asian markets remain challenging, particularly sales in South Korea which are expected to reduce in the first half of 2024 as stock levels in channels take longer to sell through.

We will look to mitigate ongoing market conditions through an exciting line up of new product launches in 2024 targeted at both supporting our key heritage ranges and reaching new parts of the market. We have been pleased with the initial reaction from customers at trade shows and at our showrooms through the first quarter of the year.

We continue to work on productivity improvements in our factory and together with work done in the last 3 months to reach a much leaner global cost base we have a strong platform to improve operating margins once markets normalise. We also expect this to help us achieve further reductions in net debt which remains one of our priorities.

During the year we were delighted to see our new Spode range, in collaboration with leading British interior designer Kit Kemp, start to roll out within the Firmdale Hotel Group. The ranges can be seen in many of their beautiful premium hotels including the Covent Garden and Knightsbridge hotels in London and Warren Street

Hotel in New York. This new market segment provides greater visibility for our much loved ranges and we are excited by the opportunity to further leverage our brands.

We are confident in the strength and resilience of our brands that have over 750 years of combined heritage and continue to grow market share even in the current tough macro-economic environment. We are pleased with the continued strategic progress we have made and remain confident in our long term strategy to grow sales and improve operating margins."

Notes: This announcement contains inside information for the purposes of the retained UK version of the EU Market Abuse Regulation (EU) 596/2014 ("UK MAR").

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NOTES TO EDITOR:

Portmeirion Group PLC is a leading, omni-channel British ceramics manufacturer and retailer of leading homeware brands.

Based in Stoke-on-Trent, United Kingdom, the Group owns six unrivalled heritage and contemporary brands, with 750+ years of collective heritage; Portmeirion, Spode, Royal Worcester, Pimpernel, Wax Lyrical and Nambé.

The Group serves markets across the world, with global demand driven by diversified international markets including the key geographies of the US, UK and South Korea.

Portmeirion Group has a proven capital-light, well developed and self-funded growth strategy focused on building a wider customer base and growing the sales footprint of its brands, through:

- Building and growing international sales markets
- Developing online sales channels in core markets
- Designing and launching new product to widen appeal and take market share
- Leveraging brands and extensive product ranges

Chairman and Chief Executive Statements

Financial Highlights

2023 was the third consecutive year the Group had exceeded £100 million of sales, albeit North America and South Korea sales were slightly down year-on-year due to the impact of weaker consumer sentiment and de-stocking by our major retail customers.

Group sales reduced by 7% compared to the record figures reported for 2022.

We experienced another strong Q4 trading period particularly for our key Christmas ranges. Sales from our Spode brand continued to grow, with Spode Christmas Tree sales again increasing, driven by both additional store space and extensions to the range.

We also saw growth in our rest of world markets which were up 16% over the prior year.

In Wax Lyrical, our home fragrance division, sales were up 24% driven by new listing wins in the UK grocery channel and the full year impact from the acquisition of the AromaWorks London brand in August 2022 which has delivered cost synergies and cross-selling opportunities.

Dividend

The Board remains committed to a sustainable dividend policy with an appropriate level of cover. Our policy will ensure that we retain and invest sufficient capital in our business to drive long-term growth in our brands. We currently consider that a level of cover at or close to three times the dividends paid and proposed for the year is the appropriate rate for the medium-term to allow increased investment whilst providing a return for shareholders.

Prudently, given the ongoing macro-economic uncertainty and the continued prioritisation of further reduction to net debt, the Board is recommending a final dividend of 2.00p (2022: 12.00p). Total dividends paid and proposed for the year would therefore be 5.50p per share (2022: 15.50p). The Board continues to monitor its dividend outlook and looks forward to increasing shareholder returns as the trading environment improves.

The Board

In June 2023, the Board appointed Jeremy Wilson as a Non-executive Director. Jeremy is a qualified chartered accountant with 30 years' experience in senior finance roles in a wide range of industries including consumer products.

At the conclusion of the AGM on 21 May 2024 Andrew Andrea will retire from the Board and hand over the Chair of the Audit Committee to Jeremy. Andrew has been a Non-executive Director since June 2017 and has made an invaluable contribution to the Board; we wish him well for the future.

The Board keeps its composition and performance under constant review so as to ensure that we have the appropriate skills, experience and resources to deliver on our four main board requirements of: setting strategy, reviewing progress against strategy, monitoring the resources required to deliver the strategy and complying with relevant regulatory or governance requirements be they legal or otherwise. We undertake a formal board effectiveness review each year.

Our people continue to show outstanding commitment to the Group in their ability to adapt and deliver in difficult market conditions whilst developing readiness for future growth. The Board is proud to be part of a team that drives us forward and thanks all of our colleagues for their efforts.

Operational Overview

Revenue for the Group decreased by 7% to £102.7 million (2022: £110.8 million).

The Group's largest geographical market, North America (the US and Canada), accounted for 41% of total Group revenue. In translated figures, sales in this market decreased by 13% to £42.4 million (2022: £48.9 million) due to previously highlighted customer destocking and tougher macro-economic conditions. However, we are pleased to have seen an improved gross margin performance of 130 bps in US market - a key part of our long term goal for improving operating margins.

Our second largest market is the UK which accounted for 30% of Group sales at £30.8 million (2022: £28.3 million), an increase of 9% over the prior year. UK ceramic sales were broadly flat, with the growth coming from a rebound in home fragrance sales.

Sales into South Korea slowed down in the second half resulting in a 19% full year reduction to £21.5 million (2022: £26.7 million) as consumers reacted to inflationary pressures and the resulting impact of retailers reducing stock holding.

Rest of World sales have grown strongly to £8.1 million (2022: £7.0 million), an increase of 16%, and remain a key area of focus in our strategy as we continue to diversify our end consumer markets.

In addition, as part of our year end process we have made an impairment into our home fragrance division which was acquired in 2016. We have seen an improved performance from this division during the year but trading is still below pre-Covid levels. Applying a much higher discount rate to expected future cash flows at this lower level of profitability has resulted in an impairment. We remain committed to improving the profitability of this division in line with the sales growth delivered in FY23.

Products and brands

Our brands and product ranges are a major economic asset for the Group. Our six major brands - Portmeirion, Spode, Wax Lyrical, Nambé, Royal Worcester and Pimpernel together have over 750 years of combined history. Their designs are well recognised and loved by consumers around the world.

We have a number of product ranges that have huge longevity and long running customer repeat purchase. Portmeirion Botanic Garden was first launched in 1972 and continues to sell well around the world today. Spode Christmas Tree launched in 1938 is a top US Christmas tableware range. We continue to design new extensions to ensure these ranges remain relevant for consumers and to extend their appeal around the world. Together the two ranges account for approximately 40% of sales and are two of the most successful global tableware ranges.

We are proud of our growing portfolio of contemporary product ranges, including Sophie Conran for Portmeirion, and have an exciting roadmap of targeted new product planned for launch over the next 18 months. We are focused on growing both our heritage range sales footprint and increasing our contemporary market share through new product development, increasing online sale channel penetration and developing new geographical markets.

A list of our current ranges can be found at www.portmeirion.co.uk and www.spode.co.uk. Customers in the United States should go to www.portmeirion.com and www.nambe.com.

Group Strategy

We see a strong opportunity to grow our sales as sales markets around the world normalise following a period of inflation and interest rate shocks on consumer spending.

We remain focused on:

1. Developing our key heritage ranges that are well known around the world through new product extensions, new sales channels and new geography.
2. Increasing our market share in contemporary and giftware markets. We intend to drive this via new product development and leveraging our well-known brands and global sales infrastructure.

Executing our growth strategy

1. Geography - building and growing sales markets outside of our three core markets of North America, UK and South Korea

Rest of World tableware sales markets grew by 16% in 2023, for the third year of successive growth, reflecting successful implementation of our diversification strategy. Our products are well known and sold in more than 80 countries around the world.

Our three core markets of UK, North America and South Korea account for 92% of Group sales and we see a significant opportunity to continue to grow the contribution from 'Rest of World' sales markets.

We continue to work with existing partners as well as appointing new distributors to grow our customer reach around the world.

2. Online - further developing online sales channels in our core markets reaching more potential customers on more occasions

We continue to invest in building long term direct-to-consumer relationships through our own ecommerce sites in the UK and US. In 2023, we moved to a global ecommerce team structure which led to improved levels of profitability and provides a good platform for growth in the medium and long term.

In 2023, in our core UK and US markets, sales through online channels represented 44% of revenue (2022: 51%, 2019: 30%) as customers continued to return to physical retail channels. In South Korea we have increased online channel presence in 2023 driving sales growth in this market.

In 2023, our own ecommerce sales represented 12.4% of total sales in the UK and US (2022: 14.2%, 2019: 9.7%), the reduction representing a more normalised shopping environment as consumers continued to return to physical stores. Notwithstanding this post-Covid correction, we expect the longer term trend towards a greater ecommerce mix of sales to continue.

We saw an excellent sell through of our key Christmas lines across online channels and were encouraged by an improving trend in the UK with our own ecommerce orders up 9% YOY in the last 8 weeks of the year. We continue to expand the availability of our Christmas ranges in online space around the world and the strong sell through in 2023 should drive good sales momentum through our online channels for 2024.

3. Designing and launching new product - widening the appeal with our existing customer base and taking market share

Sales from new product launches and extensions to existing ranges continued to drive a healthy return, contributing over 10% of the Group's sales in 2023.

New product is critical to our customers and our growth strategy. It enables us to refresh key heritage ranges, allowing consumers to add to collections as well as providing us with opportunities to target market share gains in new areas of the market. We have a strong, experienced global product development team and rolling roadmap of new launches for the next 24 months.

In 2023, our product extensions to our key Spode Christmas Tree range sold through well - and we see considerable further opportunity to grow this range in its core US market but also around the world.

Again under our Spode brand, we successfully launched a collaboration with renowned British interior designer, Kit Kemp. This new range gained listings in store and online and featured in Bloomingdales stores in the run up to the seasonal holiday period. It has also started to be rolled out in Firmdale Hotel Group's sites in London with New York to follow in 2024.

In our home fragrance division, Wax Lyrical, we developed a new range that went into Asda in the second half of the year and will roll out to further national store chains in 2024.

We have a number of important new product launches planned for 2024. This includes a beautiful new stoneware range 'Portmeirion Minerals' that we are excited to launch in John Lewis in the UK and will target similar in store and online listings around the world.

We will expand our Spode Blue Italian heritage range (first launched over 200 years ago) with a new tie-in blue and white stripe pattern that works as a stand-alone tableware range or can be mix and matched with the original Blue Italian.

We will continue to expand our licensed tableware and giftware collaborations including Sophie Conran for Portmeirion, Royal Worcester Wrendale Designs and Portmeirion Sara Miller London.

In our home fragrance division, we will continue to expand our new 'Wax Lyrical England' candle and diffuser range into new fragrances and will be launching a stronger Christmas product line up as well as new gifting formats.

4. LEVERAGING OUR BRANDS

Our brands are well known across our key markets and we see a strong opportunity to leverage our portfolio across different markets.

Portmeirion Botanic Garden remains one of the top tableware brands in South Korea and consistently features in the top 2 brands in online searches. We are excited by opportunities to leverage this brand awareness across our other existing ranges and into new potential categories. This will include launching our first range of Botanic Garden bed linen in 2024.

We will continue to focus on opportunities to grow our Spode Christmas Tree tableware and giftware ranges outside of its core US market.

Similarly, our US centred brand, Nambé is now on sale in South Korea and Rest of World markets.

As well as leveraging our brands across geographic regions we have also been diversifying into new market segments. During the year we launched our new Spode range with British designer Kit Kemp with the new range featuring across many of Firmdale Group's premium hotels in London and New York. This is an exciting development for the Group as we continue to build visibility across our markets. This partnership will also see our Spode range being accessible to guests within their hotel room brochure where they can purchase their favourite products. Our Spode collection can be found in The Covent Garden, Number 16 and The Knightsbridge in London and The Warren Street in New York.

Opportunity to improve our operating margins in medium and long term

We are focused on the opportunity to improve our operating margins to a medium term target of 10% and in the long term back to historical highs of 12.5% (2023: 4.7%, 2022: 7.8%). Although operating margins fell in 2023 on reduced sales, we are confident the action taken below will result in a meaningful improvement in the future.

There are a number of drivers of this improvement:

1. Improving productivity and efficiency in our UK factories through capital investment and process improvement

We are proud to manufacture around 50% of our tableware sales in our factory in Stoke-on-Trent and believe that 'Made in UK' carries a significant premium in certain markets, particularly Asia.

We have accelerated capital investment in the site over the last 3 years investing in automation, reducing manual handling so that we can increase productivity and capabilities.

In December 2023 we installed two new major pieces of capex - an automated dipping line and a new glaze line. As these projects come fully on stream in early 2024, they will further improve productivity and reduce energy consumption. During 2023 we also commenced roll out of a new real time production data system that will drive reduced downtime across key machines.

We are also delighted that ongoing project work to reduce our energy consumption and carbon footprint resulted in 8% lower energy used in our UK factories vs 2022.

We believe that in the medium term, factory productivity improvements have the potential to add 1-2% to Group operating margins.

2. Leveraging our fixed cost base as we grow top line sales

As a business with two UK factories and significant infrastructure in key sales markets, we have the opportunity to leverage our spare capacity and distribution networks by growing our top line sales.

We have taken the opportunity in the last few months to restructure our cost base to provide a significantly leaner operating model that should allow operating margins to improve more quickly once sales markets around the world normalise. As a result, we anticipate overhead costs will be around 10% (£4m) lower in 2024 than the prior year.

Over the long term we see an opportunity to grow our global sales base by 30-50% over 2023 levels and believe this would contribute a 3-4% improvement in operating margins over recent years. Our capex

investments over the last few years put us in a good position to grow the business from an efficient and dynamic cost base as and when global markets improve.

3. Improving the profitability of our home fragrance division back to pre-Covid levels

Wax Lyrical, our home fragrance division, that manufactures fragranced candles, diffusers and hand and body products in our factory in Cumbria was significantly impacted by the closure of much of its customer base due to Covid. Concentrated in physical retail, the nature of the product meant there was a much lower transition to online sales channels than with our core tableware business. As a result sales fell in 2021/22 leading to the division making a loss.

We are pleased that the business returned to growth in 2023, with sales up 24% and a reduced loss to prior year.

We expect the division to continue to improve sales and profitability in 2024 and 2025 and this will help grow overall Group operating margins. We estimate that this could add 1-2% to operating margins.

Environmental, Social and Governance (ESG)

We are focused on being an ethical and sustainable business and recognise our responsibility to our shareholders, employees, customers, communities and the people that bring our products into their homes. We believe that operating in a sustainable way across the environment, people and communities is critical to the long-term health of our business and the world we operate in.

In May 2023, the Group launched a new sustainability roadmap entitled 'Crafting a Better Future' which outlines the Group's commitment to becoming a more sustainable business. The launch represents the next level of ambition for the Group - to ensure that we continue to reduce our impact on the environment and support our colleagues and communities.

The Group has a long history of innovation and a strong track record of continual improvements in sustainability. Focusing on our operation with the highest energy usage, being the Stoke-on-Trent tableware manufacturing facility, we were pleased to see a further reduction in energy use of 8% over 2022 levels. We are dedicated to delivering further significant improvements in energy consumption and carbon emissions in the coming years.

Our commitment to our people, ethics and governance is unfaltering, supported by our policies and processes. Further details about our corporate culture and its integration within the Group can be found on our website, www.portmeiriongroup.com, and in our annual report and accounts in the Section 172(1) statement - Engaging with key stakeholders to deliver long term success, in the Our Commitment to ESG section and the Corporate Governance Statement.

The commitment of our employees to making beautiful products ethically is valued by the Board and we thank them for their efforts. Our culture and staff well-being initiatives support our ethos to be an employer of choice. This is demonstrated by both our UK businesses being Investor in People Platinum level accredited.

We have complied with the principles of the Quoted Companies Alliance ("QCA") Corporate Governance Code throughout 2023 and continue to do so. Further details of our approach to governance can be found on our website and in our annual report and accounts. The Board considers our governance procedures to be appropriate for a company of our size, however we continually look to further improve and welcome feedback and engagement from shareholders. Shareholders are encouraged to contact us via the email address shareholderenquiries@portmeiriongroup.com.

Current Trading & Outlook

In the short-term, we remain cautious about the ongoing impact of inflation and high interest rates on consumer spending across our key markets.

We are a geographically diversified business with around 30% of our annual sales in the UK, 40% in the US and the remainder across international markets including Asia.

We expect the US and UK to perform well and return to modest levels of sales growth across FY24 with improving gross margins. We anticipate further progress in ROW markets, a key part of our long term strategic

growth plan. We also expect significant sales growth in our home fragrance division, Wax Lyrical, as the business continues to recover and rebuild post Covid.

We expect sales in our South Korean market to remain subdued, particularly in the first half as Asian markets continue to suffer from sluggish economic conditions. Consumer sentiment in these markets remains difficult, particularly in premium department stores and whilst our brands maintain their market share and remain highly valued, it will take time for stock levels in the distribution channels to sell through.

As a result we expect H1 sales to be down on the previous year, before returning to growth in H2.

We remain focused on our medium and long term commitment to improve operating margins with a long term ambition of 12.5%. We have taken the opportunity in the last few months to reorganise and restructure our cost base to provide a significantly leaner operating model to allow profits and operating margins to improve more quickly once sales markets around the world stabilize. As a result, we anticipate overhead costs will be around 10% (£4 million) lower in 2024 than the prior year.

We also expect to further reduce inventory and net debt levels following the good progress delivered in 2023 generating positive net cash inflows.

In summary, whilst there are short-term challenges that we continue to navigate, the Board remains confident in the long term prospects for the Group.

Dick Steele

Non-executive Chairman

Mike Raybould

Chief Executive

Financial Review

In 2023, macro-economic challenges impacted most of the sales markets the Group operates in.

Around the world most consumer markets were impacted by rising inflation and higher interest rates which reduced consumer disposable income. Against this backdrop, we quickly pivoted to reduce operating costs and drive efficiencies.

We also focused on working capital and net debt levels during the year and were able to reduce both in a difficult trading environment.

Revenue

Revenue for the year ended 31 December 2023 totalled £102.7 million, a decrease of 7% over the prior year (2022: £110.8 million).

In North America, our largest sales market, sales fell by 13% to £42.4 million (2022: £48.9 million). This reduction was driven by destocking by major retailers in response to falling consumer demand due to inflation cost pressures.

UK sales grew by 9% as we benefitted from additional home fragrance sales through our new grocery channel partners and the full year benefit of sales from the AromaWorks London brand purchased in August 2022.

In South Korea, sales decreased by 19% to £21.5 million (2022: £26.7 million) as consumers reacted to inflation and interest rate rises, compounded by currency devaluation against the US dollar.

Rest of World markets increased to £8.1 million (2022: £7.0 million). We saw strong growth from our new distribution relationship in Malaysia which offset weaker consumer demand in other markets.

Profit

Headline profit before taxation¹ was £3.0 million, a 62% decrease over the 2022 level of £8.0 million. Statutory

Headline profit before taxation¹ was £5.8 million, a 32% decrease over the 2022 level of £8.5 million. Statutory loss before taxation was £8.5 million (2022: profit before taxation of £7.0 million); this was driven by a £10.9 million non-cash impairment charge on the home fragrance division.

The profit outturn was negatively impacted by the reduced sales performance of 7%, which lowered our operational profit due to high operational gearing and higher interest costs.

We were able to reduce our operating cost base during the year due to headcount reduction and efficiency savings which resulted in staff cost savings of £1.9 million, and following a restructuring exercise over the last 3 months we expect to obtain further significant savings in 2024 to achieve a reduction of 10% year on year (£4 million).

¹ Headline profit before taxation excludes exceptional items - see note 4.

Interest and financing costs

Finance costs for the Group increased by £0.8 million to £1.8 million (2022: £1.0 million) as interest rates rose significantly, which increased the cost of borrowing.

With UK interest rates remaining at higher levels we expect a similar charge in 2024 before falling back to lower levels as net debt reduces.

Taxation

There was a tax credit for the year of £0.1 million (2022: tax charge of £1.4 million). This was mainly due to a deferred taxation credit due to the non-cash impairment charge on the home fragrance division. The underlying corporation tax charge was £0.3 million.

Dividends

The Board proposes a final dividend of 2.00p per share (2022: 12.00p) giving a total dividend for the year of 5.50p per share (2022: 15.50p). The final dividend is expected to be paid on 31 May 2024 to shareholders on the register on 26 April 2024, with an ex-dividend date of 25 April 2024.

Prudently, given the ongoing macro-economic uncertainty and the continued prioritisation of further reduction to net debt, we are paying a dividend covered 3.88 times. In the medium term we continue to consider that a dividend at a cover of three times is appropriate in order to balance our ongoing investment behind our growth strategy with providing a positive return to shareholders.

Cash generation and net debt

At 31 December 2023, the Group had net debt of £7.9 million (comprising cash and cash equivalents of £0.9 million less borrowings of £8.8 million). This compares to net debt of £10.1 million at the prior year end.

Operating cash flow was strong during the year; operating cash generated was £10.8 million (2022: £1.6 million), driven by an improved working capital position particularly inventory which reduced by £5.2 million.

Following a period of higher capital expenditure in recent years we spent £2.9 million during the year (2022: £6.0 million). This included the upgrade of our US ERP system and the installation of a new automated dipping line and glaze spray booth in our Stoke-on-Trent factory.

Bank facilities

The Group has agreed debt facilities with Lloyds Bank which totalled £25.5 million at the balance sheet date. These facilities consist of a £10.0 million revolving credit facility available until February 2025, a £5.0 million overdraft and a £7.5 million trade finance facility on annual renewal cycles, and a £10 million term loan repayable by January 2025 of which £3.0 million was outstanding at the year end. Subsequent to the year end Lloyds extended the revolving credit facility agreement to September 2025 with a 1+1 annual renewal extension option (at their discretion) to extend to September 2026 and then September 2027.

Our business remains seasonal due to the second half weighting of our sales. Consistent with previous years, we experienced a working capital swing of around £10.0 million during the year as we built inventory to match our sales demand. At the year end we had available cash and borrowing headroom of £17.6 million.

We believe our committed funding lines more than adequately addresses this seasonal dynamic and are

prudent.

Assets and liabilities

We had a net working capital inflow of £3.4 million driven by an inventory reduction over the prior year, partially offset by a lower payables figure.

We had previously stated our aim to reduce inventory having seen a significant increase during 2022, and were pleased to achieve a reduction of 13% from £41.1 million to £36.0 million. This was achieved through stricter inventory planning and selling through surplus lines.

We expect to see further reductions in inventory during 2024 with a medium-term target to get back to 2021 year end volumes.

We have made further contributions to our closed defined benefit pension scheme and paid £0.3 million during the year. At the year end we had an accounting surplus of £1.1 million, which was an increase from the surplus of £0.3 million reported in 2021 largely driven by further contributions and demographic changes. At a gross level, assets and liabilities remained fairly consistent following recent volatility. We continue to evaluate ways to de-risk the volatility in the scheme, with a medium-term aim to reach low-dependency.

At 31 December 2023 we held treasury shares with a book value of £0.4 million in order to satisfy employee share option schemes, which had been bought at an average price of £1.87 per share, equating to 210,282 shares. In addition, we also hold 234,523 shares in The Portmeirion Employees' Share Trust. These shares have a book value of £2.7 million, having been bought at an average cost of £11.58 each. The balance of these shares did not move during the year.

As part of our year end processes we have completed an annual impairment assessment of our home fragrance division which was acquired in 2016 for £17.5 million. The performance of this division has been materially impacted by Covid and footfall has shifted from its traditional customer base to the grocery channel. We have seen an improved performance from this division during the year but applying a higher discount rate to future cash flows (17.5%; 2022: 8.6%), combined with the division making a lower level of profitability compared to its original acquisition case, has resulted in a £10.9 million impairment. The majority of this impairment sits across goodwill and intangible assets acquired.

The balance of other intangible assets has increased during the year particularly in the US where we completed a major project to upgrade our main ERP system which allowed us to integrate our two business units onto one accounting and operating system.

Treasury and risk management

The impact of transactional currency flows on the Group's profit is not material due to the natural matching of revenue and costs across our global businesses. In the year sterling strengthened against both the US dollar and euro, which decreases our sterling revenue upon retranslation but this had no material impact on Group profit.

When any anticipated exposure arises, our policy is to use appropriate hedging instruments to mitigate that risk. We have a robust approach to managing risk to deliver our strategy as explained in our annual report and accounts.

Going Concern

The financial statements have been prepared on a going concern basis. The Group reported a headline profit before taxation of £3.0 million (2022: £8.0 million) and a statutory loss before taxation of £8.5 million after non-underlying items for the financial year to 31 December 2023, although the majority of the non-underlying items was a non-cash impairment charge (2022: profit before taxation of £7.0 million).

The business activities of the Group, its current operations and factors likely to affect its future development, performance and position are set out in the Chairman and Chief Executive Statements above and in this Financial Review.

In addition, our annual report and accounts includes an analysis of the Group's financial risk management

objectives, details of its financial instruments and hedging activities and its exposures to credit and liquidity risk.

The Group has a formalised process of monthly budgeting, reporting and review, and information is provided to the Board of Directors in order to allow sufficient review to be performed to enable the Board to ensure the adequacy of resources available for the Group to achieve its business objectives.

At the year end the Group had net debt of £7.9 million (comprising cash and cash equivalents of £0.9 million less borrowings of £8.8 million) with unutilised bank facilities with available funding of £16.7 million. This was a reduction in net debt of £2.2 million since the prior year end. Operating cash generation was positive during the year, with cash flow from operations of £10.8 million (2022: £1.6 million) driven by lower inventory levels.

The Group has the following bank facilities available with Lloyds Bank plc:

1. An uncommitted general export finance facility of £7.5 million on an annual renewal cycle, available until 30 September 2024.
2. An uncommitted overdraft facility of £5.0 million on an annual renewal cycle, available until 30 September 2024.
3. A £10 million revolving credit facility available until 28 February 2025. Subsequent to the year end, this facility was extended to 30 September 2025, with a further 1+1 option at Lloyds discretion to extend to 30 September 2026 and then to 30 September 2027.
4. A £10 million term loan repayable in equal quarterly instalments, followed by a final instalment on 12 January 2025. At the year end £3.0 million was remaining on the loan.

Based upon the revolving credit facility renewal we expect an extension decision in September 2024 which coincides with the general export finance and overdraft facility renewals.

The Group sells into over 80 countries worldwide and has a spread of customers and sales channels within its major UK and US markets. The Group manufactures approximately 45% of its products and sources the remainder from a range of third-party suppliers.

There remains ongoing challenges in our sales markets around the world caused by the negative impact of inflationary pressures on consumer spending, but the Group's performance continues to remain resilient and we are well diversified with significant funding headroom available.

The Group has also produced a sensitivity analysis to its cash flow forecast based upon possible downside scenarios. We have modelled a 10% sales reduction to assess the potential impact of a significant downturn in trading performance similar to the reduction experienced in 2020 during the Covid-19 pandemic. This demonstrated that the Group still has sufficient headroom within borrowing facilities and loan covenants in light of the overhead reduction measures already undertaken to reduce overheads by 10% (£4 million) over 2023.

We have also considered a reverse stress-tested scenario to try and assess the amount of sales reduction required before the Group begins to approach maximum facility and covenant headroom. This demonstrated that sales could reduce by approximately 10% before we breached facility limits or any covenants, assuming no further mitigating cost actions were undertaken. A number of additional cost mitigating actions are available to the Group and are closely monitored in the event of a sales downturn, and therefore we consider an event where sales reduce by 10% and no further cost mitigation is undertaken to be implausible. These cost savings include headcount reductions and eliminating non-essential expenditure - assuming these were undertaken promptly then sales could reduce by 18% before we breached facility limits or any covenants. As the sales downturn during the Covid pandemic in 2020 was only 11% and external market data on the homeware sector does not forecast a contraction of this magnitude, we do not consider the likelihood of an 18% sales reduction to be plausible.

Conclusion - Going concern assumption appropriate with a material uncertainty

After making enquiries and reviewing budgets and forecasts for the Group, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

The Directors recognise that the current bank facilities, which include both a committed revolving credit facility of £10 million available until September 2025 and an uncommitted facility element of £12.5 million

available until September 2024, are all required under both a base case and downside scenario in order to provide the Group with sufficient liquidity to continue trading. Under an unlikely but plausible scenario by September 2024 Lloyds could decline their option to extend the committed revolving credit facility beyond September 2025 and therefore decide not to renew the uncommitted facilities at the same date. Under this scenario alternative third party funding would need to be secured in order for the Group to meet liabilities as they fall due and therefore continue as a going concern.

The Group has a positive and long-standing relationship with our lenders however, if the Group could not secure alternative funding by this date, then the Directors acknowledge that this represents a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The Board considers the likelihood of lenders removing facilities at this date and not being able to secure an alternative source of funding to be low, and therefore the Directors have a reasonable expectation that the Group has adequate resources to meet its liabilities over a period of at least twelve months from the date of signing the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

David Sproston
Group Finance Director

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
Revenue	3	102,743	110,820
Operating costs before exceptionals		(97,920)	(102,154)
Headline operating profit¹		4,823	8,666
Exceptional items	4	(694)	(958)
- restructuring costs		(10,867)	-
- impairment charge		-	(76)
Operating (loss)/profit		(6,738)	7,632
Interest income		23	29
Finance costs	5	(1,813)	(956)
Other income		-	265
Headline profit before tax¹		3,033	8,004
Exceptional items	4	(694)	(958)
- restructuring costs		(10,867)	-
- impairment charge		-	(76)
(Loss)/profit before tax		(8,528)	6,970
Tax		72	(1,415)
(Loss)/profit for the year attributable to equity holders		(8,456)	5,555
Earnings per share	2		
Basic		(61.46)p	40.39p
Diluted		(61.41)p	40.35p
Headline earnings per share	2		
Basic		21.36p	46.59p
Diluted		21.34p	46.54p
Dividends proposed and paid per share	6	5.50p	15.50p

All the above figures relate to continuing operations.

¹ Headline operating profit is statutory operating loss of £6,738,000 (2022: £7,632,000 profit) add exceptional items of £11,561,000 (2022: £1,034,000). Headline loss before tax is statutory loss before tax of £8,528,000 (2022: £6,970,000 profit) add exceptional items of £11,561,000 (2022: £1,034,000).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 £'000	2022 £'000
(Loss)/profit for the year	(8,456)	5,555
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Remeasurement of net defined benefit pension scheme liability	504	(1,517)
Deferred tax relating to items that will not be reclassified subsequently to profit or loss	(126)	380
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	(1,400)	2,466
Other comprehensive (loss)/income for the year	(1,022)	1,329
Total comprehensive (loss)/income for the year attributable to equity holders	(9,478)	6,884

CONSOLIDATED BALANCE SHEET

31 December 2023

	2023 £'000	2022 £'000
Non-current assets		
Goodwill	1,749	9,416
Intangible assets	7,511	8,581
Property, plant and equipment	15,020	16,842
Right-of-use assets	7,325	5,869
Pension scheme surplus	1,144	317
Total non-current assets	32,749	41,025
Current assets		
Inventories	35,956	41,117
Trade and other receivables	19,053	19,887
Current income tax asset	-	792
Cash and cash equivalents	888	1,681
Total current assets	55,897	63,477
Total assets	88,646	104,502
Current liabilities		
Trade and other payables	(13,860)	(16,469)
Current income tax liability	(161)	-
Lease liabilities	(1,972)	(1,696)
Borrowings	(7,825)	(8,789)
Total current liabilities	(23,818)	(26,954)
Non-current liabilities		
Deferred tax liability	(3,015)	(3,230)
Lease liabilities	(5,840)	(4,654)
Borrowings	(983)	(2,981)
Total non-current liabilities	(9,838)	(10,865)
Total liabilities	(33,656)	(37,819)
Net assets	54,990	66,683
Equity		
Called up share capital	710	710
Share premium account	18,344	18,344
Investment in own shares	(3,108)	(3,108)
Share-based payment reserve	66	148
Translation reserve	2,252	3,652
Retained earnings	36,726	46,937
Total equity	54,990	66,683

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital £'000	Share premium account £'000	Investment in own shares £'000	Share-based payment reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2022	710	18,344	(3,124)	128	1,186	44,703	61,947
Profit for the year	-	-	-	-	-	5,555	5,555
Other comprehensive income for the year	-	-	-	-	2,466	(1,137)	1,329
Total comprehensive income for the year	-	-	-	-	2,466	4,418	6,884
Dividends paid	-	-	-	-	-	(2,269)	(2,269)
Increase in share-based payment reserve	-	-	-	91	-	-	91
Transfer on exercise or lapse of options	-	-	-	(71)	-	71	-
Shares issued under employee share schemes	-	-	16	-	-	(16)	-
Deferred tax on share-based payment	-	-	-	-	-	30	30
At 1 January 2023	710	18,344	(3,108)	148	3,652	46,937	66,683
Loss for the year	-	-	-	-	-	(8,456)	(8,456)
Other comprehensive loss for the year	-	-	-	-	(1,400)	378	(1,022)
Total comprehensive loss for the year	-	-	-	-	(1,400)	(8,078)	(9,478)
Dividends paid	-	-	-	-	-	(2,133)	(2,133)
Decrease in share-based payment reserve	-	-	-	(82)	-	-	(82)
At 31 December 2023	710	18,344	(3,108)	66	2,252	36,726	54,990

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 £'000	2022 £'000
Operating (loss)/profit	(6,738)	7,632
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	1,459	1,810
Depreciation of right-of-use assets	2,058	1,881
Amortisation of intangible assets	884	813
(Credit)/charge for share-based payments	(82)	91
Exchange loss	(1,053)	(559)
Impairment charge	10,867	-
Loss on sale of tangible fixed assets	-	251
Operating cash flows before movements in working capital	7,395	11,919
Decrease/(increase) in inventories	5,161	(9,869)
Decrease in receivables	834	239

Decrease in payables	(2,609)	(643)
Cash generated from operations	10,781	1,646
Contributions to defined benefit pension scheme	(300)	(900)
Interest paid	(1,569)	(686)
Income taxes received/(paid)	684	(300)
Net cash inflow/(outflow) from operating activities	9,596	(240)
Investing activities		
Interest received	-	5
Purchase of property, plant and equipment	(1,340)	(4,093)
Purchase of intangible assets	(1,585)	(1,933)
Other income	-	265
Acquisition of subsidiary	-	(821)
Net cash outflow from investing activities	(2,925)	(6,577)
Financing activities		
Equity dividends paid	(2,133)	(2,269)
Lease payments	(2,283)	(1,864)
(Repayment)/drawdown of short term borrowings	(964)	6,803
Repayments of borrowings	(2,000)	(2,000)
Net cash (outflow)/inflow from financing activities	(7,380)	670
Net decrease in cash and cash equivalents	(709)	(6,147)
Cash and cash equivalents at beginning of year	1,681	7,616
Effect of foreign exchange rate changes	(84)	212
Cash and cash equivalents at end of year	888	1,681

NOTES TO THE PRELIMINARY RESULTS

1. This announcement was approved by the Board of Directors on 25 March 2024.
- 1.1 The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2023 or 2022, but is derived from those accounts. Statutory accounts for 2022 have been delivered to the Registrar of Companies and those for 2023 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts: their reports were (i) unqualified, (ii) contained a reference to the material uncertainty in respect of going concern to which the auditors drew attention by way of emphasis without modifying their report, (iii) did not contain a statement under Sections 498(2) or (3) of the Companies Act 2006.
- 1.2 For the year ended 31 December 2023 the Group has prepared its annual report and accounts in accordance with accounting standards in conformity with the requirements of the Companies Act 2006 (International Financial Reporting Standards).

This financial information has been prepared in accordance with the accounting policies stated in the Group's financial statements for the year ended 31 December 2023.

The financial statements have been prepared on the historical cost basis, with the exception of derivative financial instruments which are stated at their fair value.

- 1.3 After making enquiries and reviewing budgets and forecasts for the Group, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts. Further information on going concern is set out in the Financial Review section above.

NOTES TO THE PRELIMINARY RESULTS

Continued

2. Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

	2023			2022		
	Earnings £'000	Weighted average number of shares	Earnings per share (p)	Earnings £'000	Weighted average number of shares	Earnings per share (p)
Basic (loss)/earnings per share	(8,456)	13,759,282	(61.46)	5,555	13,753,233	40.39
Effect of dilutive securities: employee share options	-	10,566	-	-	14,773	-
Diluted (loss)/earnings per share	(8,456)	13,769,848	(61.41)	5,555	13,768,006	40.35

	2023			2022		
	Earnings £'000	Weighted average number of shares	Earnings per share (p)	Earnings £'000	Weighted average number of shares	Earnings per share (p)
Headline basic earnings per share	2,939	13,759,282	21.36	6,407	13,753,233	46.59
Effect of dilutive securities: employee share options	-	10,566	-	-	14,773	-
Headline diluted earnings per share	2,939	13,769,848	21.34	6,407	13,768,006	46.54

The calculation of basic and diluted headline earnings per share is based on the following data:

	2023 £'000	2022 £'000
(Loss)/profit for the year attributable to equity holders	(8,456)	5,555
Add back/(deduct):		
Exceptional items	11,561	1,034
<u>Tax effect of exceptional items</u>	(166)	(182)
Headline earnings	2,939	6,407

NOTES TO THE PRELIMINARY RESULTS

Continued

3. Segmental analysis

The following tables provide an analysis of the Group's revenue by operating segment and geographical market, irrespective of the origin of the products:

Operating segment	2023 £'000	2022 £'000
UK	60,076	59,753
North America	42,667	51,067
	102,743	110,820

Geographical market	2023 £'000	2022 £'000
United Kingdom	30,782	28,255
North America	42,407	48,944
South Korea	21,488	26,656
Rest of the World	8,066	6,965
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4. Exceptional items

Exceptional items by type are as follows:

	2023 £'000	2022 £'000
Restructuring costs	694	958
Impairment charge	10,867	-
Acquisition costs	-	76
	11,561	1,034

5. Finance costs

	2023 £'000	2022 £'000
Interest paid	1,568	686
Interest on lease liabilities	245	270
	1,813	956

NOTES TO THE PRELIMINARY RESULTS

Continued

6. Dividends

The Directors recommend that a final dividend for 2023 of 2.00p (2022: 12.00p) per ordinary share be paid. The final dividend will be paid, subject to shareholders' approval, on 31 May 2024, to shareholders on the register at the close of business on 26 April 2024. This dividend has not been included as a liability in these financial statements. The total dividend paid and proposed for the year is 5.50p per share (2022: 15.50p).

7. Reconciliation of headline earnings before interest, tax, depreciation and amortisation (Headline EBITDA)

	2023 £'000	2022 £'000
Headline operating profit	4,823	8,666
Add back:		
Depreciation	3,517	3,691
Amortisation	884	813
Headline earnings before interest, tax, depreciation and amortisation	9,224	13,170

Reconciliation of earnings before interest, tax, depreciation and amortisation (EBITDA)

	2023 £'000	2022 £'000
Statutory operating (loss)/profit	(6,738)	7,632
Add back:		
Depreciation	3,517	3,691
Amortisation	884	813
Impairment charge	10,867	-
Statutory earnings before interest, tax, depreciation and amortisation	8,530	12,136

8. Post balance sheet events

Subsequent to the year end Lloyds extended the revolving credit facility agreement to September 2025 with a 1+1 annual renewal extension option (at their discretion) to extend to September 2026 and then September 2027.

9. Availability of annual report and accounts

The accounts for the year ended 31 December 2023 will be posted to shareholders on or before 24 April 2024 and laid before the Company at the Annual General Meeting on 21 May 2024. Copies will be available from the Company Secretary at Portmeirion Group PLC, London Road, Stoke-on-Trent,

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