24 September 2024

Card Factory plc ("cardfactory" or the "Group")

Interim results for the six months ended 31 July 2024

Resilient revenue performance with further strategic progress achieved including successful partnerships expansion. Full year expectations unchanged.

cardfactory, the UK's leading specialist retailer of greeting cards, gifts and celebration essentials, announces its interim results for the six months ended 31 July 2024 ('HY25').

Financial summary[1]

Financial Metrics	HY25	HY24	Change	FY24
Revenue	£233.8m	£220.8m	+5.9%	£510.9m
EBITDA	£45.3m	£51.1m	-11.4%	£122.6m
Profit Before Tax (PBT)	£14.0m	£24.7m	-43.3%	£65.6m
Adjusted PBT[2]	£14.5m	£22.1m	-34.4%	£62.1m
Adjusted Leverage (exc. Leases)[3]	0.9x	1.0x	0.1x	0.4x
Net Debt (exc. Leases)	£74.9m	£71.9m	+4.2%	£34.4m
Cash from operations	£17.5m	£36.3m	-51.8%	£118.7m
Basic EPS	3.0	5.6p	-46.4%	14.4p
Adjusted EPS	3.1p	5.0p	-38.0%	13.5p
Dividend per share	1.2p	N/A	N/A	4.5p

[1] For further information and definitions of Like-for-like (LFL) and other alternative performance measures see Explanatory Notes (below) "Alternative Performance Measures ("APMs").
[2] Adjusted PBT excludes impact of one-off items of £0.5 million finance costs relating to amortisation of debt costs as a result of the refinancing completed in HY25 (HY24: £2.6 million gain on purchase of SA Greetings).
[3] Adjusted Leverage is the ratio of Net Debt (excluding lease liabilities) to EBITDA less lease related charges which is consistent with our covenant reporting

Business highlights

- Group revenue of £233.8 million in HY25, up by +5.9% compared to HY24, reflects continued positive momentum in executing our growth strategy:
  - Strength of performance during the period underpinned by cardfactory like-for-like (LFL)[4] revenue growth of +3.7%, driven by our focus on developing our store estate and our quality and value offer. This is ahead of the broader celebration occasions market[5] and the non-food retail sector[6].
  - Gifts and celebration essentials growth of +6.0% LFL was a key driver of revenue growth as we continue to introduce new and expand existing gifting categories, together with a positive performance on card of +1.1% LFL, enabling progress towards becoming a celebrations destination.
  - cardfactory.co.uk revenue growth of +8.8% continues to build on the encouraging traction seen in H2 FY24.
  - Partnerships performed in line with expectations with total revenue of £6.6 million in HY25 (£6.4 million in HY24), including £3.9 million revenue from SA Greetings.
- HY25 Adjusted PBT was down £7.6 million to £14.5 million, reflecting substantial increases in National Living Wage, plus freight inflation and phasing of strategic investments. As previously guided, the benefit of our strategic investments and robust programme of productivity measures and efficiency savings in FY25 are weighted to the second half of the year and we have already seen these positively impact the cost base.
- Continued strengthening of the balance sheet as a result of positive operating cash generation and a disciplined approach to management of working capital. Net debt increased by £3.0 million in HY25 compared to HY24, which includes payment of a £15.5 million dividend payment in respect of FY24.
- Recommencement of an interim dividend of 1.2p demonstrating our commitment to delivering progressive returns to shareholders and maintaining dividend cover of around 3.0x over the course of the full year.

[4] Like-for-like "cardfactory LFL" is defined as Like-for-like sales in Stores plus Like-for-like sales from the cardfactory website www.cardfactory.co.uk;
[5] Kantar Worldpanel Plus | Physical Retail data to 4th August 2024
[6] BRC-KPMG Retail sales monitor February 2024 – August 2024

Post-period activity: Strategic progress in partnerships

- Multi-year agreement secured with Aldi to be the exclusive everyday greeting card supplier across the full UK and Republic of Ireland estate.
- Entry into the US market secured through a nationwide wholesale retail partnership which will roll out in time for Christmas.

- In advanced discussions to renew a multi-year partnership with The Reject Shop in Australia, including an extension to a full-service model and seasonal range supply.
- In September 2024 we completed the acquisition of Garlanna, a publisher and wholesaler of greetings cards, wrap and gift bags in the Republic of Ireland.

Outlook:

- Trading since the period end has been in line with the first half.
- Preparations for our Christmas season are well advanced with new ranges that leverage our quality and value proposition across cards, gifts and celebration essentials.
- We have a strong track record in maintaining disciplined management of working capital and driving returns against a range of economic backdrops. Whilst macro-inflationary pressures have started to ease in the second half, we continue to manage specific retail impacts.
- There are several factors that are supporting our profit margin performance going into the second half of the year. Approximately half of the margin growth in the second half will be driven by the seasonality of sales. Our robust programme of productivity and efficiency savings will also make a material contribution. In addition, we expect to benefit from margin-enhancing range development and prudent management of operating costs.
- Albeit we are yet to trade through the key Christmas period, the strong topline performance in the first half, combined with our robust actions to mitigate inflationary pressures, means that our expectations for the full year are unchanged.
- Over the medium-term the Board remains confident in seizing the compelling growth opportunity for the business, which will help deliver on our FY27 targets which remain unchanged.

Darcy Willson-Rymer, Chief Executive Officer, commented:

"I am delighted to be reporting further progress against our growth strategy with this resilient underlying performance in the first half of the year. We continue to deliver against our strategic priorities at pace thanks to the commitment and dedication of our colleagues.

During the period, we continued to see strong performance across our growing store estate, with gifts and celebration essentials now a core driver of revenue growth, building on our strength in greetings cards. Together with the exciting partnership initiatives we are announcing today, we are helping more customers in more places celebrate life's moments.

As we move into the second half of the year and the important Christmas trading period, our expectations for the full year are unchanged and we continue to focus on managing inflationary pressures within the business. Our strategic growth ambitions are underpinned by a robust balance sheet and strong cash flow, alongside our disciplined approach to managing working capital and focus on driving efficiencies and productivity across the business. Moving forward, we believe we are well placed with a strong proposition that resonates with a broad customer base and delivers an unrivalled quality, value and choice offering."

Interim results webcast

There will be a virtual presentation and Q&A session for analysts and investors at 10am on the morning of the announcement. Please register for the event via the following link: https://stream.brrmedia.co.uk/broadcast/66964b0736704318d5bcf554

A copy of the webcast and the accompanying presentation will be made available via the cardfactory investor relations website: www.cardfactoryinvestors.com.

Enquiries

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BUSINESS UPDATE

Performance in the period

HY25 has seen continued positive momentum across the cardfactory business, reflecting the progress we have made in executing our 'Opening Our New Future' growth strategy through the first six months of the year.

The strength of our store performance through the period was despite a challenging retail backdrop and the drop in high-street footfall seen in HY25 due to the continued impact of economic pressures on consumer spending and confidence, combined with the unseasonable weather.

Total store revenue was up +6.1% in the period as we grew our profitable UK and Republic of Ireland store estate, with 15 net new stores opened in HY25, bringing our leading value proposition to more customers in more locations.

LFL Store revenue growth of +3.7% was ahead of the broader celebration occasions market and the non-food retail sector, as measured by Kantar and BRC-KPMG Retail Sales Monitor respectively. This was driven by our continued focus on developing our store estate, our quality and value offer and the positive performance across our HY25 Spring seasons of Valentine's Day, Mother's Day and Father's Day. Highlights included a particularly positive performance for Valentine's Day across card (+8.3% LFL) and gifts (+6.8% LFL) which included range development to reflect the growth of family celebrations of this occasion.

As we make progress on our strategic ambition towards becoming a celebration destination, we saw strong growth in gifts and celebration essentials having introduced new and expanded existing gifting categories in the period. LFL revenue growth in gifts of +10.8% has also driven an increase in average basket value (ABV) of +7.5% compared to the same period last year, reflecting a continuing mix shift with gifts and celebration essentials now representing 52.6% of total sales.

Online momentum continued on cardfactory.co.uk through HY25 with revenue growth of +8.8%. This was supported by increased traffic and transactions as we continue to invest in the online customer experience and ongoing range development, which is focused on driving profitability.

Partnerships performed in line with expectations with total revenue of £6.6 million in HY25 (£6.4 million in HY24), including £3.9 million revenue from SA Greetings. The performance reflects the benefit of the first full H1 trading period for SA Greetings alongside the phasing of larger wholesale shipments seen in HY24 which will balance out through the course of the full year. Work through the first half has also delivered notable progress since the end of the period in expanding our UK and international partnerships, with new multi-year agreements secured alongside the extension of existing partnership agreements, providing a platform for future growth.

Strategy update

We have continued to make progress towards our strategic objectives in HY25 as we execute our growth strategy and develop cardfactory into a celebrations' destination for customers in the UK, Republic of Ireland and internationally.

Stores

- Continued to grow our profitable UK and Republic of Ireland estate to 1,073 stores (as of 31 July 2024), opening 15 net new stores in HY25, including a fourth central London store in Cheapside.
- Continued to make progress on store space optimisation supporting gift and celebration essentials growth, without compromising card growth.

Leadership in card

- Ongoing range development, including significant newness, aligned to key trends. This reflects the growing diversity in family relationships and dynamics which supports our card market authority.
- Work undertaken in HY25 to tailor our card offering for different regions and demographics.

Gifts and celebration essentials

- Continued to grow our authority in gifts and celebration essentials introducing new categories, alongside the expansion of existing gifting categories to address the broader £13.4 billion UK Celebration Occasions market.
- New ranges introduced in HY25 include a baby gifting range, alongside the continued development of key existing categories including soft toys (+27% LFL), confectionery (+30% LFL) and limited collections such as Disney and licensed ranges (+17% LFL).

Omnichannel and Online

- Ongoing range development focused on driving profitable growth through a focus on higher margin products.
- Continued investment in our technology transformation, as well as the development of our online capability and platform performance to further enhance customer experience and unlock future digital and omnichannel propositions.
- Redesigned our online event reminder tool and introduced AI-powered product recommendations.
- New exclusive partnership launched with Just Eat to trial an on-demand celebrations offer across cards, balloons, gifts and gift bags, initially from 19 stores across the UK, with plans to expand the trial to a further 21 UK stores in the second half of the year.

Partnerships

- Very encouraging progress in expanding our UK and international partnerships.
- Full Aldi UK and Republic of Ireland estate rollout from the end of September 2024 with a new multi-year year partnership which will see cardfactory be the exclusive everyday greetings card supplier for their Circa. 1,200 stores, doubling the number we currently supply.
- Entry into the US market secured through a nationwide wholesale retail partnership which will roll out in time for Christmas.
- In advanced discussions to renew multi-year agreement with The Reject Shop in Australia, expanding to a full-service model including seasonal ranges.
- Continuing to optimise location, range and offer in Liwa (Middle East) and Matalan (UK).
- Acquisition of Garlanna, a publisher and wholesaler of greetings cards, wrap and gift bags in the Republic of Ireland, completed in September 2024, further supports the development of our retail partnerships strategy.

ESG progress

- Good progress on integrating sustainability considerations into our core strategy and operational planning and decision making, including establishing a Sustainability Steering Group to drive cross-business operational delivery groups and initiatives.
- During the period we expanded the number of products that are fully recyclable and reduced tertiary packaging used to transport products.
- Commenced work on an FY25 emissions inventory for scope 1, 2 and 3, defining renewable energy transition plans and engaging with our top suppliers to align with cardfactory goals.
- Good progress on collection of colleague diversity data to inform the development and progress of our diversity, equity and inclusion (DE&I) strategy and priorities.

Preparations for Christmas

We are well prepared for our key Christmas trading period, with our seasonal rollout now underway.

80% of our entire seasonal range is new this Christmas, including new toys and the introduction of a ‘baby’s first Christmas’ range and an exclusive own label pet gifting range. We have also expanded ranges across own label and limited collections such as Disney. Development of online ranges includes a number of online exclusives to build on momentum seen at cardfactory.co.uk since HY24.

We have continued to refine operations and stock allocations to enable an agile approach to stock management through the peak season. We have also undertaken thorough planning and preparation to manage all inbound logistics for stock manufactured overseas.

Recruitment of seasonal colleagues for the Christmas season has commenced through an optimised seasonal recruitment strategy to further support our store efficiencies and productivity programme.

Current trading and outlook

Current trading is in line with the first half reflecting the continued strength of our store estate, supported by the strategic progress we have made in HY25 across card, gifts and celebration essentials, together with continued momentum on cardfactory.co.uk. Planned capital expenditure will enable further strategic progress in H2 FY25, including targeted investment to upgrade a number of legacy stores in the portfolio, technology infrastructure and the next phase of our ERP implementation to support future omnichannel and partnerships propositions.

While macro inflationary pressures start to ease in the second half, we continue to manage the impact of specific retail inflationary pressures. Building on our strong track record of managing inflation through a combination of pricing, efficiency and productivity, we are implementing a robust programme of activity to drive profit margin through the second half, as previously guided. The largest impact is being delivered through driving greater efficiencies and improving productivity in our stores via the introduction of a new industry-recognised labour management system implemented in H1. This is optimising labour costs, prioritising value-add customer service activity and removing inefficiencies. This detailed programme also includes evolving our pricing architecture through a 'good, better, best' approach to range development across card, gifts and celebration essentials, enabling product margin improvements. Alongside this, we are taking a prudent approach to management of operating costs, prioritising sales driving activity.

Given the resilient revenue performance in the first half in a challenging macro-environment, together with the robust action we are taking to mitigate inflationary pressures and our disciplined approach to management of working capital, our expectations for the full year are unchanged.

Over the medium term the Board remains confident in seizing the compelling growth opportunity for the business, which will help deliver on our FY27 targets which remain unchanged.

Group Financial Review

Financial Highlights

Against a continuing backdrop of challenging economic conditions for both business and consumers, cardfactory has continued to demonstrate momentum in sales and a resilient financial performance towards our strategic ambition in the six months ended 31 July 2024 ('HY25').

The highlights of the period are as follows:

- Strong revenue growth in Stores, with LFL sales of +3.7% (HY24: +10.5%), showing effective mitigation of a drop in high street footfall achieved through strong growth in gifting and celebration essentials revenue.
- Profitability weighted to the second half of the year as expected, with EBITDA for the six months of £45.3 million, £5.8 million behind the same period last year reflecting inflation of wages and freight costs.
- Profit Before Tax of £14.0 million (HY24: £24.7 million). Adjusted PBT of £14.5 million (HY24: £22.1 million) excludes one-off impact of refinancing and represents a margin of 6.2%.
- Strong balance sheet, with positive operating cash flows and Net Debt of £74.9 million (HY24: £71.9 million) including recommencement of dividends. Final dividend of £15.5 million in respect of FY24 paid in June 2024.
- Successful conclusion of refinancing, having agreed a new four-year £125 million committed revolving credit facility which provides greater flexibility and a firm platform from which we can execute our strategy.
- We have a proven, continuous programme to focus on lowest cost delivery with plans in place across productivity, efficiency, and range development to offset inflationary headwinds in H1 and H2.

	HY25	**HY24**	**Change**	**Change %**
Revenue	£233.8m	£220.8m	£13.0m	5.9%
EBITDA	£45.3m	£51.1m	(£5.8m)	(11.4%)
EBITDA margin	19.4%	23.1%	(3.7%)	(3.7 ppts)
Profit Before Tax (PBT)	£14.0m	£24.7m	(£10.7m)	(43.3%)
Adjusted PBT [1]	£14.5m	£22.1m	(£7.6m)	(34.4%)
Adjusted PBT margin	6.2%	10.0%	(3.8%)	(3.8 ppts)
Basic earnings per share	3.0 pence	5.6 pence	(2.6 pence)	(46.4%)
Net Debt (exc. Leases)	£74.9m	£71.9m	£3.0m	4.2%
Cash from operations	£17.5m	£36.3m	(£18.8m)	(51.8%)
Adjusted Leverage[2]	0.9x	1.0x	0.1x	10.0%

[1] Adjusted PBT excludes impact of one-off items of £0.5 million finance costs relating to amortisation of debt costs as a result of the refinancing completed in HY25 (HY24: £2.6 million gain on purchase of SA Greetings)

[2] Adjusted Leverage is the ratio of Net Debt (excluding lease liabilities) to EBITDA less lease related charges which is consistent with our covenant reporting

Financial Performance

Sales

	Total Sales		
	HY25 £m	**HY24 £m**	**Change %**
cardfactory Stores	221.4	208.6	6.1%
cardfactory Online	3.7	3.4	8.8%
Getting Personal	2.1	2.4	(12.5%)
Partnerships	6.6	6.4	3.1%
Group	**233.8**	**220.8**	**5.9%**
	LFL Sales		

	HY25	HY24	Change %
cardfactory Stores	+3.7%	+10.5%	-6.8 ppts
cardfactory Online	+5.9%	-13.1%	+19.0 ppts
cardfactory LFL	**+3.7%**	**+10.0%**	**-6.3 ppts**
Getting Personal	-15.2%	-36.6%	+21.4 ppts

Total Group sales for HY25 were £233.8 million, an increase of £13.0 million compared to the same period last year.

Our store portfolio remains the core of our business and the source of a significant majority of our revenues. Top line sales have continued to grow and have outperformed the wider non-food retail sector in the period. Total Group revenue increased by £13.0m driven by like-for-like (LFL) sales in stores of +3.7% compared to last year including strong performance in our strategic focus areas of gifts (+10.5% LFL) and celebration essentials (+3.2% LFL). Total Stores revenue grew by 6.1% as we continued to deliver on our plan to open +90 net new stores by FY27, with net store openings of +15 in HY25, ahead of our target run rate.

Combined sales performance for our Spring seasonal ranges (Valentine's Day, Father's Day, Mother's Day) demonstrated positive LFL performance with a particularly positive performance on Valentine's Day across card (+8.3% LFL) and gifting (+6.8% LFL) which included range development to reflect the growth of family celebrations of this occasion.

Optimisation of the store portfolio continues to be an important source of sales growth. During HY25 we increased the store portfolio by a net 15 new stores accelerating our strategy to serve more customers in more areas. At 31 July 2024, our store portfolio stood at 1,073 stores, including 35 stores in the Republic of Ireland. We have a strong new store pipeline for H2 FY25 continuing to broaden our footprint of cardfactory stores throughout the UK and the Republic of Ireland.

We are encouraged with continued online momentum and progress against our online strategy with revenue growth of +8.8% against HY24. gettingpersonal.co.uk sales were reduced compared to the same period last year at £2.1 million (HY24: £2.4 million). The Group is still progressing with our technology transformation programme with a focus of unlocking future digital and omnichannel propositions.

We continue to see development in our UK and international partnerships including entry into the US market, as well as the multi-year renewal of our existing contract with Aldi, which includes rollout to the full UK estate, and advanced renewal discussions with The Reject Shop in Australia. In HY25 we have also seen increased Matalan revenue due to the impact of the full rollout to stores in the UK in FY24.

We are encouraged by these activities in contribution towards our strategic plan to grow Partnerships sales. Our existing Partnerships performed well, with sales from Partnerships increasing 3.1% when compared to HY24 to £6.6 million reflecting the full half year impact of revenue from SA Greetings which was acquired in HY24 offset by a decline in The Reject Shop revenue largely due to timing of shipments.

In addition, on 4 September 2024 we completed the acquisition of 100% of the share capital of Garlanna Holdings Limited, and its wholly owned subsidiary, Garlanna Limited, strengthening the Group's position within the Irish market and providing further wholesale opportunities.

We will report Garlanna as part of our Partnerships results going forward, the majority of its revenue derived from sales to retail partners in Ireland.

Gross Profit

	HY25 £m	HY25 % Sales	HY24 £m	HY24 % Sales
Group Sales	**233.8**		**220.8**	
COGs	(69.0)	(29.5%)	(64.5)	(29.2%)
Product Margin – Constant Currency[1]	**164.8**	**70.5%**	**156.3**	**70.8%**
FX gains / losses	(0.8)	(0.3%)	(1.1)	(0.5%)
Product Margin	**164.0**	**70.1%**	**155.2**	**70.3%**
Store & Warehouse Wages	(64.4)	(27.5%)	(53.3)	(24.1%)
Property Costs	(11.8)	(5.0%)	(11.9)	(5.4%)
Other Direct Costs	(11.6)	(5.0%)	(8.7)	(3.9%)
Gross Profit	**76.2**	**32.6%**	**81.3**	**36.8%**

[1]Product margin calculated on a constant currency basis using a consistent GBPUSD exchange rate across both periods. FX gains and losses reflect conversion from the constant rate to prevailing market rates.

We have continued to actively manage our cost base against ongoing Inflationary pressure, particularly linked to international freight costs, to largely maintain product margins when calculated at a constant currency. Product margin includes the purchase price of goods, along with inbound freight, carriage and packing. Calculated on a constant currency basis, product margin was broadly in line at 70.5% in HY25 compared to 70.8% in HY24.

Stock provisions did not significantly affect product margin as overall inventory levels have largely normalised following a number of years of higher provision cover. We have also used effective promotional activity in order to support our strong sales performance and improve sell-through rates to reduce the risk of inventory obsolescence.

The Group purchases approximately 50% of its total goods for resale in US dollars and has a well-established hedging policy to manage the risk of adverse fluctuations in market GBPUSD rates. In the six months ended 31 July 2024, we achieved an average rate of approximately £1:$1.26 on US dollar purchases, which has seen a decrease in the YoY FX losses. The FX loss reflects an overall strengthening of Sterling relative to the US Dollar compared to the market rates at the time the contracts were executed, reducing the value of outstanding contracts. Considered and disciplined use of structured option products, in line with our established hedging policy, typically enables us to achieve better FX rates than those that could be achieved in the forward market alone.

Direct wages, including store and warehouse colleagues, include a minimum 9.8% increase in National Living Wage from April 2024 in addition to the impact of an overall increase in the size of our store portfolio. As a result of the increase in National Living Wage, store and warehouse wages increased as a percentage of sales which has contributed to the reduction in Gross Margin.

Other direct expenses include warehouse costs, store opening costs, utilities, maintenance, point of sale and pay-per-click expenditure. A proportion of costs in this category are variable in relation to the size of the store portfolio and available trading days, meaning they increased YoY as the store portfolio grew and the number of trading days in HY25 is slightly higher than in the equivalent period for HY24. Whilst the Group continues to benefit from its three-year fix on electricity commodity costs until October this year, non-commodity costs are passed-through from energy suppliers and increased in April 2024. As a result, overall other direct costs increased in absolute terms and as a percentage of revenue.

As a result, Gross profit for the Group, when compared to the same period last year, decreased by £5.1 million to £76.2 million, with a 4.2ppts fall in gross margin to 32.6%.

We have a proven, continuous programme to focus on lowest cost delivery (across productivity, efficiency, and range) and have plans in place to offset inflationary headwinds in both H1 and H2. Our plans include continued range development, with a focus on gifts and celebration essentials, an optimised store labour model utilising an industry-recognised tool that has been implemented in the first half, a store efficiency programme to eliminate non-value-adding activities and a focus on operational efficiency in our central overheads and support operations. We expect the majority of the fiscal benefits of these plans to begin to come through in the second half of the year, whilst ensuring we retain and develop the appropriate capacity, skills and resources to enable us to execute our strategic growth ambition.

EBITDA & Operating Profit

	HY25 £m	**HY25 % Sales**	**HY24 £m**	**HY24 % Sales**
Group Sales	**233.8**		**220.8**	
Gross Profit	**76.2**	**32.6%**	**81.3**	**36.8%**
Operating Expenses	(30.9)	(13.2%)	(30.3)	(13.7%)
EBITDA	**45.3**	**19.4%**	**51.0**	**23.1%**
Depreciation & Amortisation	(6.1)	(2.6%)	(5.0)	(2.3%)
Right-of-use asset depreciation	(17.7)	(7.6%)	(17.9)	(8.1%)
Operating Profit	**21.5**	**9.2%**	**28.1**	**12.7%**

Operating expenses (excluding depreciation and amortisation) include remuneration for central and regional management, business support functions, design studio costs and business insurance together with central overheads and administration costs.

In operating expenses we also have seen the annualisation of investment in our leadership and support capabilities, especially in IT where technology is a key enabler to our omnichannel ambitions. The increased IT investment has been offset by efficient cost management across other areas of operating expenditure.

Total operating expenses increased by £0.6 million compared to the same period last year, although given the strong LFL performance of store sales, this represents a reduction of 0.5ppts as a percentage of sales. The absolute increase in operating expenses reflects the impact of the acquisition of SA Greetings in April 2024 as we have included a full 6 months of trading in the half year results, seeing operating expenses increase by c.£1.0m. Excluding the impact of SA

Greetings, our ongoing programme to focus on lowest cost delivery has reduced operating expenses by c.£0.4m compared to the same period last year despite an increase in investment in the second half of FY24.

Group EBITDA decreased to £45.3 million in HY25, largely because of the increase in inflationary pressures, predominantly evident in direct staff costs following the significant minimum wage increase.

Total depreciation and amortisation charges, including depreciation on right-of-use assets which are predominantly related to our store portfolio, increased by £1.1 million compared to the same period last year reflecting the increase in capital expenditure in the prior year compared to earlier periods.

Profit Before Tax

	HY25 £m	**HY25 % Sales**	**HY24 £m**	**HY24 % Sales**
Group Sales	**233.8**		**220.8**	
Operating Profit	**21.5**	**9.2%**	**28.1**	**12.7%**
Gain on acquisition	-	-	2.6	1.2%
Finance Costs	(7.5)	(3.2%)	(6.0)	(2.7%)
Profit Before Tax	**14.0**	**6.0%**	**24.7**	**11.2%**
Adjusting items	0.5		(2.6)	
Adjusted Profit Before Tax	**14.5**		**22.1**	

Total finance costs at £7.5 million increased from the prior period; the components of this charge are set out in the table below.

	HY25 £m	**HY24 £m**
Interest on loans	3.0	2.9
Loan issue cost amortisation	0.8	0.3
IFRS 16 Leases interest	3.7	2.8
Total Finance Expenses	**7.5**	**6.0**

Interest on our debt facilities remained flat year-on-year at £3.0 million, as we continue to strengthen the balance sheet and carefully manage Net Debt. Whilst overall Net Debt increased in the first half, when compared to last year, following the reinstatement of dividend payments we also benefitted from a reduction in margin following a refinancing of the Group's debt facilities in April 2024 (see below). The average cost of debt, taking into account margin, indexation and the impact of hedging activity, in the period was 6.9% (HY24: 6.6%).

As a result of the refinancing, loan issue cost amortisation includes £0.5m of costs that are one-off in nature and have been excluded from Adjusted Profit Before Tax.

Market interest rates have increased slightly over the last 12 months. On 31 July 2024 the Sterling Overnight Index Average (SONIA) rate stood at 5.2%, compared to 4.93% on the same day last year.

Lease interest has increased by £0.9m in the first half of FY25 relative to the prior year which reflects the number of lease renewals having taken place through the last 12 months and the effective interest rate on these leases being higher than the previous lease due to the increase SONIA rate. IFRS 16 interest costs are more heavily weighted towards the start of the overall lease period.

As a result of the above factors, Profit Before Tax for the year was £14.0 million, down £10.7 million from £24.7 million for the previous year. The reduction year on year is predominantly driven by the increase in direct costs as a result of the impact of minimum wage increases of direct wages.

Adjusted Profit Before Tax, which excludes the one-off financing costs in HY25, was £14.5 million, compared to £22.1 million in the same period last year, which excludes the impact of the gain on acquisition of SA Greetings. See the "Alternative Performance Measures ("APMs") and other explanatory information" section, below, for further information regarding Adjusted Profit Before Tax and other alternative performance measures used by the Group.

Taxation

The tax charge for the six months ended 31 July 2024 of £3.5 million is based on the expected effective tax rate for the full year of 25.0%. This rate is higher than the equivalent rate applied for the same period last year (22.2%) largely due to increases in corporation tax rates effective from 1 April 2023 and the reduction of the anticipated impact of deferred tax as a result of capital allowances in the HY25 tax charge.

The Group makes UK corporation tax payments under the 'Very Large' companies' regime and thus pays its expected tax bill for the financial year in quarterly instalments in advance. Corporation tax payments in the six months ended 31 July 2024 were £8.6 million, compared to £6.1 million in the same period last year.

Earnings per share

The net result for the period was a profit after tax of £10.5 million, decreased from £19.2 million in the same period last year. As a result, basic earnings per share (EPS) for the year was 3.0 pence, with diluted EPS of 3.0 pence.

Adjusted EPS, which is based on earnings calculated by applying the effective tax rate to Adjusted PBT for the period, was 3.1 pence for HY25 (HY24: 5.0 pence).

We remain focused on delivering value for shareholders via execution of our strategy.

	HY25	**HY24**
Profit after tax (£m)	10.5	19.2
Basic EPS (pence)	3.0 pence	5.6 pence
Diluted EPS (pence)	3.0 pence	5.5 pence
Adjusted Profit after Tax (£m)	10.9	17.2
Adjusted EPS (pence)	3.1	5.0

Cash flows

	HY25 £m	**HY24 £m**
Cash from Operating Activities (after tax payments)	8.9	30.2
Cash used in investing activities	(6.8)	(17.5)
Cash used in financing activities	12.9	(1.4)
Net Cash Flow for period	**15.0**	**11.3**
Operating cash flows less lease repayments	(9.6)	10.3
Operating Cash Conversion	38.6%	71.0%

The Group continued to deliver positive cash performance in the six months ended 31 July 2024, cash from operations (before lease repayments and tax) was £17.5 million (HY24: £36.3 million) which contributed to an overall reduction in net debt excluding the one-time impact of reinstating dividends for FY24 (see below).

The decrease in operating cash flows reflects our margin which was in line with expectations and investment in our working capital at the half year stage which is seen in the increased inventory holding as at the end of July. The Group's trading pattern is seasonal, with greater sales and thus cash inflows in the second half of the year. The inverse is true in the first half, as inventory builds ahead of the key Christmas season. In that context the working capital outflow in the six months ended 31 July 2024 of £29.1 million was in line with expectations and as we proactively reacted to pressure on freight rates to invest in our inventory holdings as well as processing the repayment of the Covid-19 business support grants of £3.3m.

Operating Cash Conversion (which is cash from operations expressed as a percentage of EBITDA for the period) was 38.6% (HY24: 71.0%) reflecting the reduced profit and working capital outflows discussed above.

Capital expenditure decreased from £15.3 million to £6.8 million which was anticipated in the first half of the year as we are able to manage investment opportunities in a robust and disciplined way. Planned capital expenditure to FY27 remains to enable further strategic progress including investments in stores and technology infrastructure. The HY24 cash used in investing activities included the £2.2 million net consideration paid in respect of the SA Greetings acquisition.

Cash generated from financing activities includes a net £53.6 million draw on our debt facilities (HY24: net £24.7 million draw on debt facilities), £18.5 million of payments in respect of lease liabilities for the store portfolio (HY24: £19.9 million) and £15.5 million of dividend payments to shareholders in respect of the final dividend for FY24 (HY24: £nil).

Balance Sheet

Capital Expenditure

Total capital expenditure in the six months ended 31 July 2024 was £6.8 million, reduced from £15.3 million in HY24. We continued to invest in both infrastructure and growth projects with targeted investment to refresh older format stores, alongside opening new stores, and ongoing development in technology infrastructure to unlock future omnichannel opportunities. We have actively managed investment in HY25. We will continue to invest in H2 enable further strategic progress, including investments in stores and technology infrastructure. We continue to expect average capital expenditure of approximately £25 million per annum over the period from FY24 to FY27 to support delivery of our FY27 targets.

Ongoing investment in our Online platforms and digital experience remains a key focus area.

Net Debt

	HY25 Net Debt £m	HY25 Leverage	HY24 Net Debt £m	HY24 Leverage
Current borrowings	0.7		23.6	
Non-current borrowings	99.2		74.8	
Total Borrowings	**99.9**		**98.4**	
Add back capitalised debt costs	1.6		1.0	
Gross Bank Debt	**101.5**		**99.4**	
Less cash	26.6		27.5	
Net Debt (exc. Leases)	**74.9**		**71.9**	
Leverage (exc. Leases)		**0.6x**		**0.6x**
Adjusted Leverage (exc. Leases)		**0.9x**		**1.0x**
Lease Liabilities	103.5		101.6	
Net Debt (inc. Leases)	**178.4**		**173.5**	
Leverage (inc. Leases)		**1.5x**		**1.5x**

The Group focuses on Net Debt excluding lease liabilities, this reflects the way the Group's covenants are calculated in its financing facilities.

Leverage compares the ratio of Net Debt to EBITDA as calculated above. Adjusted Leverage reflects adjustments in the Group's banking facilities to deduct lease-related charges from EBITDA.

During the first six months of the year, we have seen net debt increase by £3.0m compared to HY24. This movement includes £15.5 million in relation to the final dividend in respect of FY24, the first time the Group has paid a dividend in several years. Excluding the impact of the dividend, our robust trading performance and careful management of capital investment in HY25 has seen net debt reduce by £12.5m.

The Group's banking facilities and amounts drawn in the current and prior periods are summarised in the table below:

Facility	31 July 2024 (HY25)	31 July 2023 (HY24)	31 January 2024 (FY24)
£11.25m Term Loan 'A'	–	£4.6m	–
£18.75m Term Loan 'B'	–	£18.8m	£18.8m
£20m CLBILs	–	£8.2m	–
£100m Revolving Credit Facility[1]	–	£60.0m	£26.0m
£125m Revolving Credit Facility	£100.0m	–	–
Overdraft facilities	£0.7m	£7.2m	£0.2m
Other Term Facilities	£0.5m	£0.5m	£0.6m
Accrued interest	£0.3m	£0.3m	£0.1m
Gross Bank Debt	**£101.5m**	**£99.4m**	**£45.7m**

1 Overdraft facilities formed part of, and to the extent utilised reduced available commitment under, the £100 million RCF.

On 26 April 2024, the Group successfully concluded a refinancing of its debt facilities, having agreed a new four-year £125 million committed revolving credit facility with a syndicate of banks. The previous revolving credit facility and Term Loan B were fully repaid and cancelled.

The new facilities have an initial maturity date in April 2028, with options to extend by up to 19 months, subject to lender approval. The facilities include a £75 million accordion, which can be drawn subject to lender approval. The interest margin on the facilities is dependent on the Group's Adjusted leverage position, with margins between 1.9-2.8% which is lower than the previous facilities. The new facilities include covenants for a maximum Adjusted leverage ratio of 2.5x and a fixed charge cover ratio of at least 1.75x, tested semi-annually. The Group expects to operate comfortably within these covenant levels for the foreseeable future.

The new facilities represent an important landmark in the Group's strategic and financial progress since the pandemic, reflecting a return to financing terms more aligned with the broader market and the removal of remaining restrictions and administrative requirements associated with the pandemic period.

At 31 July 2024, the Group had undrawn committed facilities of £23.8 million under the new financing agreement and therefore had cash and committed facilities of £50.4 million, in addition to the undrawn accordion facility of £75 million.

Following repayment of the previous term loans, the new facilities provide enhanced flexibility to the Group which better matches its cash generation profile. The Group's cash generation profile typically follows an annualised pattern, cash outflows are higher in the first half of the year associated with lower seasonal sales and investment in working capital ahead of the Christmas season. The inverse is then usually true in the second half, as Christmas sales lead to reduced stock levels and higher cash inflows. As a result, Net Debt at the end of the first half and the end of the year is usually lower than the intra-year peak, which typically occurs during the third quarter of the fiscal year.

The Group continues to hold a provision of £2.2 million relating to the potential overpayment of government support during the pandemic, with reference to subsidy control limits. The Group is actively taking steps to resolve its position.

Capital Structure & Distributions

At the preliminary results in April 2024, the Board presented its reviewed and updated Capital Allocation Policy (CAP). Through its CAP, cardfactory aims to balance delivery of sustainable, long-term growth in shareholder value against cash returns to shareholders and the needs of its other stakeholders.

The four principles of the CAP are:

- Maintain a strong balance sheet – retaining sufficient cash and committed facilities to ensure liquidity headroom throughout the annual operating cycle with an Adjusted Leverage ratio below 1.5x throughout the year.
- Invest to deliver the strategy – investing capital each year to ensure the Group complies with obligations and delivers its business plans; investments to accelerate business progress need to deliver attractive returns in excess of the cost of capital.
- Regular, progressive returns to shareholders – ordinary dividends with a dividend cover ratio, based on Adjusted EPS, of between 2-3x for the full year, paid as interim (c.25%) and final (c.75%) dividends.
- Disciplined use of surplus cash – total returns will not exceed free cash flow generation in the period to which the returns relate.

The Board will also consider share purchases from time to time, to offset dilution from employee share schemes.

In June 2024, the Group paid a final dividend of 4.5 pence per share (totalling £15.5 million) in respect of the FY24 financial year. This dividend represented the total dividend for FY24 (including an amount in lieu of an interim dividend) under the CAP, with interim dividends unable to be paid last year due to restrictions that remained in place until 31 January 2024.

Following the resilient performance of the business in the first half of the year and reflecting the Board's unchanged expectations with regard to full year performance, the Board has proposed an interim dividend in respect of FY25 of 1.2 pence.

The interim dividend reflects approximately 25% of the expected full year dividend, subject to the financial performance of the Group meeting expectations in the second half of the year, particularly with respect to the important Christmas season. The interim dividend will be payable to shareholders on the share register on 1 November 2024, with payments to be made on 11 December 2024.

Where the Board concludes the Group has excess cash, taking into account, inter-alia, the performance and prospects of the Group, together with any potential investment opportunities. The Board expects to make additional returns to shareholders. Given the seasonal nature of the Group's cash flow generation, with negative free cash flows in the first half, the Board next expects to consider surplus cash requirements at the end of the financial year.

Consolidated income statement
For the six months ended 31 July 2024

	Note	**Six months ended 31 July 2024**	Six months ended 31 July 2023	Year ended 31 January 2024
		£'m	£'m	£'m
Revenue		**233.8**	220.8	510.9
Cost of sales		**(157.6)**	(139.5)	(326.0)
Gross profit		**76.2**	81.3	184.9
Other operating income		**–**	–	2.0
Operating expenses		**(54.7)**	(53.2)	(110.5)
Operating profit		**21.5**	28.1	76.4
Gain on bargain purchase		**–**	2.6	2.6
Finance expense	**6**	**(7.5)**	(6.0)	(13.4)
Profit Before Tax		**14.0**	24.7	65.6
Taxation	**7**	**(3.5)**	(5.5)	(16.1)
Profit for period		**10.5**	19.2	49.5

Earnings per share		**pence**	pence	pence
- Basic	**8**	**3.0**	5.6	14.4
- Diluted	**8**	**3.0**	5.5	14.3

All activities relate to continuing operations.

Consolidated statement of comprehensive income
For the six months ended 31 July 2024

	Six months ended 31 July 2024	Six months ended 31 July 2023	Year ended 31 January 2024
	£'m	£'m	£'m
Profit for the period	**10.5**	19.2	49.5
Items that are or may be recycled subsequently into profit or loss:			
Exchange differences on translation of foreign operations	**(0.2)**	0.1	(0.5)
Cash flow hedges - changes in fair value	**(0.6)**	(3.4)	(2.9)
Cost of hedging reserve - changes in fair value	**(0.1)**	0.2	0.1
Tax relating to components of other comprehensive income	**0.2**	0.8	0.7
Other comprehensive (expense)/income for the period, net of income tax	**(0.7)**	(2.3)	(2.6)
Total comprehensive income for the period attributable to equity shareholders of the parent	**9.8**	16.9	46.9

Consolidated statement of financial position
As at 31 July 2024

	Note	**31 July 2024**	31 July 2023	31 January 2024
		£'m	£'m	£'m
Non-current assets				
Intangible assets	*10*	**331.7**	331.0	331.4
Property, plant and equipment	*11*	**46.3**	40.8	45.9
Right of use assets	*12*	**102.7**	98.6	99.2
Deferred tax assets		**1.9**	2.9	1.2
Derivative financial instruments	*15*	**0.6**	0.7	0.6
		483.2	474.0	478.3
Current assets				
Inventories	*13*	**56.4**	49.5	50.0

Trade and other receivables		**26.5**	23.6	11.6
Tax receivable		**4.6**	0.9	-
Derivative financial instruments	*15*	**0.7**	1.7	0.9
Cash at bank and in hand		**26.6**	27.5	11.3
		114.8	103.2	73.8
Total assets		**598.0**	577.2	552.1
Current liabilities				
Borrowings		**(0.7)**	(23.6)	(7.1)
Lease liabilities	*12*	**(22.1)**	(26.0)	(25.3)
Trade and other payables		**(76.5)**	(78.7)	(80.1)
Provisions	*17*	**(4.2)**	(9.2)	(7.5)
Tax payable		**–**	–	(0.4)
Derivative financial instruments	*15*	**(1.3)**	(2.5)	(1.7)
		(104.8)	(140.0)	(122.1)
Non-current liabilities				
Borrowings		**(99.2)**	(74.8)	(37.9)
Lease liabilities	*12*	**(81.4)**	(75.6)	(75.5)
Derivative financial instruments	15	**(0.8)**	(1.0)	(0.8)
		(181.4)	(151.4)	(114.2)
Total liabilities		**(286.2)**	(291.4)	(236.3)
Net assets		**311.8**	285.8	315.8
Equity				
Share capital		**3.5**	3.4	3.5
Share premium		**202.8**	202.3	202.7
Hedging reserve		**(0.4)**	0.6	(0.6)
Cost of hedging reserve		**(0.1)**	–	–
Reverse acquisition reserve		**(0.5)**	(0.5)	(0.5)
Merger reserve		**2.7**	2.7	2.7
Retained earnings		**103.8**	77.3	108.0
Equity attributable to equity holders of the parent		**311.8**	285.8	315.8

Consolidated statement of changes in equity
For the six months ended 31 July 2024

	Share capital	Share premium	Hedging reserve	Cost of hedging reserve	Reverse acquisition reserve	Merger reserve	Retained earnings	Total equity
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Six months ended 31 July 2024								
At 31 January 2024	3.5	202.7	(0.6)	–	(0.5)	2.7	108.0	315.8
Total comprehensive expense for the period								
Profit or loss	–	–	–	–	–	–	10.5	10.5
Other comprehensive expense	–	–	(0.4)	(0.1)	–	–	(0.2)	(0.7)
	–	–	(0.4)	(0.1)	–	–	10.3	9.8
Hedging gains and losses and costs of hedging transferred to the cost of inventory	–	–	0.7	–	–	–	–	0.7
Deferred tax on transfers to inventory	–	–	(0.1)	–	–	–	–	(0.1)
Transactions with owners, recorded directly in equity								
Share-based payment charges	–	0.1	–	–	–	–	1.4	1.5
Dividends (note 9)[1]	–	–	–	–	–	–	(15.9)	(15.9)
Total contributions by and distributions to owners	–	0.1	–	–	–	–	(14.5)	(14.4)
At 31 July 2024	**3.5**	**202.8**	**(0.4)**	**(0.1)**	**(0.5)**	**2.7**	**103.8**	**311.8**

[1]Dividends includes £0.4m of dividend equivalents payable on employee share awards

Six months ended 31 July 2023

	Share capital	Share premium	Hedging reserve	Cost of hedging reserve	Reverse acquisition reserve	Merger reserve	Retained earnings	Total equity
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
At 31 January 2023	3.4	202.2	3.5	(0.1)	(0.5)	2.7	57.0	268.2
Total comprehensive expense for the period								
Profit or loss	–	–	–	–	–	–	19.2	19.2
Other comprehensive expense	–	–	(2.5)	0.1	–	–	0.1	(2.3)
	–	–	(2.5)	0.1	–	–	19.3	16.9

Hedging gains and losses and costs of hedging transferred to the cost of inventory	–	–	(0.5)	–	–	–	–	(0.5)
Deferred tax on transfers to inventory	–	–	0.1	–	–	–	–	0.1
Transactions with owners, recorded directly in equity								
Share-based payment charges	–	0.1	–	–	–	–	1.0	1.1
Dividends (note 9)	–	–	–	–	–	–	–	–
Total contributions by and distributions to owners	–	0.1	–	–	–	–	1.0	1.1
At 31 July 2023	**3.4**	**202.3**	**0.6**	**-**	**(0.5)**	**2.7**	**77.3**	**285.8**

Year ended 31 January 2024

	Share capital	Share premium	Hedging reserve	Cost of hedging reserve	Reverse acquisition reserve	Merger reserve	Retained earnings	Total equity
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
At 31 January 2023	3.4	202.2	3.5	(0.1)	(0.5)	2.7	57.0	268.2
Total comprehensive expense for the period								
Profit or loss	–	–	–	–	–	–	49.5	49.5
Other comprehensive income	–	–	(2.2)	0.1	–	–	(0.4)	(2.5)
	–	–	(2.2)	0.1	–	–	49.1	47.0
Hedging gains and losses and costs of hedging transferred to the cost of inventory	–	–	(2.5)	–	–	–	–	(2.5)
Deferred tax on transfers to inventory	–	–	0.6	–	–	–	–	0.6
Deferred tax related to Share-based payments	–	–	–	–	–	–	(0.2)	(0.2)
Transactions with owners, recorded directly in equity								
Shares issued	0.1	0.5	–	–	–	–	–	0.6
Share-based payment charges	–	–	–	–	–	–	2.1	2.1
Dividends (note 9)	–	–	–	–	–	–	–	–
Total contributions by and distributions to owners	0.1	0.5	–	–	–	–	2.1	2.7
At 31 January 2024	3.5	202.7	(0.6)	–	(0.5)	2.7	108.0	315.8

Consolidated cash flow statement

For the six months ended 31 July 2024

	Note	**Six months ended 31 July 2024**	Six months ended 31 July 2023	Year ended 31 January 2024
		£'m	£'m	£'m
Cash from operations	*16*	**17.5**	36.3	118.7
Corporation tax paid		**(8.6)**	(6.1)	(13.5)
Net cash inflow from operating activities		**8.9**	30.2	105.2
Cash flows from investing activities				
Purchase of property, plant and equipment	*11*	**(5.0)**	(9.0)	(18.8)
Purchase of intangible assets	*10*	**(1.8)**	(6.3)	(9.0)
Acquisition of SA Greetings net of cash acquired		**-**	(2.2)	(2.2)
Net cash outflow from investing activities		**(6.8)**	(17.5)	(30.0)
Cash flows from financing activities				
Interest paid		**(3.0)**	(3.4)	(6.5)
Proceeds from bank borrowings[1]		**196.5**	37.0	167.0
Repayment of bank borrowings[1]		**(141.2)**	(12.3)	(190.6)
Other financing costs paid[2]		**(1.7)**	–	–
Dividends paid		**(15.5)**	–	–
Shares issued under employee share schemes		**–**	–	0.6
Payment of lease liabilities		**(18.5)**	(19.9)	(37.5)
Interest in respect of lease liabilities	*6*	**(3.7)**	(2.8)	(6.2)
Net cash inflow/(outflow) from financing activities		**12.9**	(1.4)	(73.2)
Net (decrease)/increase in cash in the period		**15.0**	11.3	2.0
Cash and cash equivalents at the beginning of the period		**11.1**	9.9	9.9
Exchange (losses)/gains on cash and cash equivalents		**(0.2)**	0.2	(0.8)
Closing cash and cash equivalents		**25.9**	21.4	11.1

[1]*Proceeds and repayments from bank borrowings includes the impact of refinancing completed in April 2024 as explained in note 14. The previous facilities were repaid in full and new facilities drawn down at the point of refinancing*

[2]*Other financing costs paid includes costs incurred directly as a result of the refinancing*

Notes to the condensed consolidated interim financial statements

1 General information

Card Factory plc ('the Company') is a public limited company incorporated in the United Kingdom. The Company is domiciled in the United Kingdom and its registered office is Century House, Brunel Road, 41 Industrial Estate, Wakefield WF2 0XG.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group').

2 Basis of preparation

These unaudited condensed consolidated interim financial statements ('interim financial statements') for the six months ended 31 July 2024 comprise the Company and its subsidiaries (together referred to as the 'Group'). The interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and the requirements of IAS 34 Interim Financial Reporting as adopted by the United Kingdom. The interim report was approved by the Board of Directors on 23 September 2024.

These condensed interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 January 2024 ('Annual Report') which have been prepared in accordance with UK-adopted international financial reporting standards (UK IFRS) and applicable law.

The comparative figures for the financial year ended 31 January 2024 are an extract from the Annual Report and are not the Group's statutory accounts for that financial year within the meaning of section 434 of the Companies Act 2006. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report was (i) unqualified, (ii) did not contain an emphasis of matter paragraph and (iii) did not contain any statement under section 498 of the Companies Act 2006. The statutory accounts for the year ended 31 January 2024 were approved by the Board of Directors on 3 May 2024 and delivered to the Registrar of Companies.

Significant judgements and sources of estimation uncertainty

The preparation of the interim financial statements in accordance with UK IFRS requires the application of judgement in forming the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may subsequently differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis, with revisions recognised in the period in which the estimates are revised and in any future periods affected. Judgements are also reviewed on an ongoing basis to ensure they remain appropriate.

There were no judgements made in the six months ended 31 July that had a material effect on the Group's interim financial statements.

The review of estimates and assumptions in the period concluded that the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 January 2024. In each case, estimates were made using a consistent methodology, with inputs and assumptions updated to reflect the Group's latest forecasts and prevailing market conditions at 31 July 2024 where appropriate.

As part of this process, the Group maintained assumptions in respect of inventory provisions where sales data for the six months ended 31 July 2024 indicated a consistent provisioning requirement with retail inventory as at 31 January 2024. Overall these assumptions reduced the value of inventory provisions by approximately £0.1 million, compared to the provision value as at 31 January 2024. The total inventory provision at 31 July 2024 was £9.5 million (see note 13).

Comparative information

The Group provides comparative financial information in these interim financial statements for both the six months ended 31 July 2023 ('HY24') and the year ended 31 January 2024 ('FY24'). Where included within text, income statement comparatives refer to the six months ended 31 July 2023 and balance sheet comparatives are as at 31 January 2024, unless otherwise stated.

Going concern basis of accounting

The Board continues to have a reasonable expectation that the Group has adequate resources to continue in operation for at least the next 12 months and that application of the going concern basis of accounting remains appropriate.

The Group has delivered a resilient financial performance in the six months ended 31 July 2024, with encouraging sales momentum, profit margins in line with expectation and positive operating cash generation. In additional, Net Debt levels have continued to fall (compared to the equivalent period last year excluding the impact of dividends) and the Group has maintained its Leverage ratio year-on-year. See the Business Update and Group Financial Review in this report for more information regarding trading in the first half of the year.

On 26 April 2024, the Group entered into a new £125 million revolving credit facility with an initial term to April 2028 (see note 17). The Board believes that the updated facilities provide adequate headroom for the Group to execute its strategic plan. At 31 July 2024, Net Debt (excluding lease liabilities) was £74.9 million and the Group had £25.0 million of undrawn facilities.

The Group's most recent cash flow forecasts, which cover the period extending 12 months from the date these interim financial statements were approved, indicate that the Group expects to have significant headroom within its agreed financing arrangements, comfortably meet all covenant tests within those arrangements, and would be able to settle its liabilities as they fall due for the duration of the forecasts, including repayment of borrowings in line with the amortising repayment schedule set out in the terms of the facilities.

The UK Corporate Governance Code requires that an assessment is made of the Group's ability to continue as a going concern for a period of at least 12 months from the signing of these financial statements; however it is not specified how far beyond 12 months should be considered. For the purpose of assessing the going concern assumption, the Group has prepared cash flow forecasts for the 12 month period following the date of approval of these accounts, which incorporate the updated debt facilities and related covenant measures.

These forecasts are extracted from the Group's approved budget and strategic plan which covers a period of five years. Within the 12-month period, the Group has considered qualitative scenarios and the Group's ability to operate within its existing banking facilities and meet covenant requirements.

Beyond the 12-month period, the Group has qualitatively considered whether any factors (for example the timing of debt repayments, or longer-term trading assumptions) indicate a longer period warrants consideration.

The results of this analysis were:

• The Group's base case forecasts indicate that the Group will continue to trade profitably, generate positive operating cash flows whilst retaining substantial liquidity headroom against current facility limits and meet all covenant requirements on the relevant test dates in the 12 month period.

• In the Board's view, there are no other factors arising in the period immediately following 12 months from the date of these accounts that warrant further consideration.

• The Group performed a review of the scenario analysis performed for its FY24 Annual Report & Accounts. Performance in the six months ended 31 July 2024 is consistent with the forecasts that underpinned this analysis, and therefore do not consider the analysis to be materially changed.

The Group also conducted a review of the reverse stress test analysis originally performed for the FY24 Annual Report & Accounts, which considered the extent of sales loss or cost increase that would be required to result in either a complete loss of liquidity headroom, or a covenant breach during the period. Seasonality of the Group's cash flows, with higher purchases and cash outflows over the summer to build stock for Christmas, means liquidity headroom is at its lowest in September and October ahead of the Christmas season. Conversely, covenant compliance is most sensitive at the half-year rather than at the year-end as part of the now biannual testing points.

Updating the reverse stress test analysis to reflect actual performance in the period to 31 July 2024 demonstrated that the level of sales loss or cost increase required (either on a sustained basis or as a significant one-off downside event) to result in a breach would still require circumstances akin to a pandemic lockdown for a period of several weeks, or other events with a similar quantum of effect that would be unprecedented in nature. Accordingly, such scenarios are not considered to be reasonably likely to occur. As with the scenario analysis above, the stress test was conducted before considering any potential benefit from available mitigating actions.

The Group expects to operate comfortably within these covenant levels for the foreseeable future. Based on these factors, the Board has a reasonable expectation that the Group has adequate resources and sufficient loan facility headroom and accordingly the accounts are prepared on a going concern basis.

3 Principal accounting policies

The interim financial statements have been prepared under the historical cost convention except for certain assets and liabilities (principally derivative financial instruments) which are stated at their fair value. The accounting policies are consistent with those applied in the consolidated financial statements for the year ended 31 January 2024.

Amended standards and interpretations effective in the period do not have a material effect on the Group's financial statements.

4 Segmental reporting and revenue

Following investment in the Group's people, systems and infrastructure to support its strategy, the Group is organised into five main business areas which meet the definition of an Operating segment under IFRS, those being cardfactory Stores, cardfactory Online, Getting Personal, Partnerships and Printcraft. Each of these business areas has a dedicated management team and reports discrete financial information to the Board for the purpose of decision making.

- cardfactory Stores retails greeting cards, celebration accessories, and gifts principally through an extensive

UK store network, with a small number of Stores in the Republic of Ireland.

- cardfactory Online retails greetings cards, celebration accessories, and gifts via its online platform.
- Getting Personal is an online retailer of personalised cards and gifts.
- Partnerships sells greetings cards, celebration accessories and gifts via a network of third party retail partners both in the UK and overseas.
- Printcraft is a manufacturer of greetings cards and personalised gifts, and sells the majority of its output intra-group to the Stores and Online businesses.

The results of SA Greetings have been included in the Partnerships segment for the six months ended 31 July 2024.

The accounting policies applied in preparing financial information for each of the Group's segments are consistent with those applied in the preparation of the consolidated financial statements. The Group's support centre and administrative functions are run by the cardfactory Stores segment, with operating costs recharged to other segments where they are directly attributable to the operations of that segment.

The Board reviews revenue and EBITDA by segment, with the exception of Printcraft by virtue of its operations being predominantly intra-group in nature. Whilst only cardfactory Stores meets the quantitative thresholds in IFRS to require disclosure, the Group's other trading segments are reported below as the Group considers that this information is useful to stakeholders in the context of the Group's Opening Our New Future strategy.

Revenue and EBITDA for each segment, and a reconciliation to consolidated operating profit, is provided in the table below:

	Six months ended 31 July 2024	Six months ended 31 July 2023	Year ended 31 January 2024
	£'m	£'m	£'m
Revenue:			
cardfactory Stores	**221.4**	208.4	478.9
cardfactory Online	**3.6**	3.4	8.8
Getting Personal	**2.1**	2.4	5.9
Partnerships	**6.6**	6.4	17.0
Other	**0.1**	0.2	0.3
Consolidated Group revenue	**233.8**	220.8	510.9
Of which derived from customers in the UK	**222.3**	210.2	484.8
Of which derived from customers overseas	**11.5**	10.6	26.1

EBITDA:			
cardfactory Stores	**49.7**	55.2	127.4
cardfactory Online	**(2.0)**	(1.9)	(3.7)
Getting Personal	**(1.3)**	(1.1)	(2.0)
Partnerships	**0.7**	1.5	1.2
Other	**(1.8)**	(2.6)	(0.3)
Consolidated Group EBITDA	**45.3**	51.1	122.6
Consolidated Group depreciation, amortisation & impairment	**(23.8)**	(24.0)	(47.4)
Consolidated Group gain on disposal	**-**	1.0	1.2
Consolidated Group Operating Profit	**21.5**	28.1	76.4

The “Other” column principally reflects central overheads and Printcraft sales to third parties.

Group revenue is almost entirely derived from retail customers. Average transaction value is low and products are transferred at the point of sale. Group revenue is presented as a single category as, by segment, revenues are subject to substantially the same economic factors that impact the nature, amount, timing and uncertainty of revenue and cash flows.

Revenue from overseas reflects revenue earned from i) the Group’s Stores in the Republic of Ireland, ii) the Group’s wholesale and retail activities in South Africa (via its SA Greetings subsidiary), and iii) from other retail partners based outside of the UK.

5 EBITDA

Earnings before interest, tax, depreciation, amortisation and impairment charges (EBITDA) represents profit for the period before net finance expense, taxation, depreciation, amortisation and impairment of assets.

	Six months ended 31 July 2024	Six months ended 31 July 2023	Year ended 31 January 2024
	£'m	£'m	£'m
Operating profit	**21.5**	28.1	76.4
Depreciation, amortisation and impairment	**23.8**	24.0	47.4
Gain on disposal	**-**	(1.0)	(1.2)
EBITDA	**45.3**	51.1	122.6

6 Finance expense

	Six months ended 31 July 2024	Six months ended 31 July 2023	Year ended 31 January 2024
	£'m	£'m	£'m
Finance expense			
Interest on bank loans and overdrafts	**3.0**	2.9	6.5
Amortisation of debt issue costs	**0.8**	0.3	0.6
Lease interest	**3.7**	2.8	6.3
	7.5	6.0	13.4

7 Taxation

The tax charge for the six months ended 31 July 2024 has been calculated on the basis of the estimated effective tax rate on profit before tax for the full financial year to 31 January 2025, which has been assessed as 25% (HY24: 22.2%).

The estimated effective tax rate is in line with the standard rate of corporation tax in the UK applicable for the period (25%). We consider that although the deductions for capital allowances are likely to be greater than the equivalent depreciation charge for the period, the impact on the effective tax rate will not be material.

8 Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is based on the weighted average number of shares in issue for the period, adjusted for the dilutive effect of potential ordinary shares. Potential ordinary shares represent share incentive awards and save as you earn share options.

	Six months ended 31 July 2024	Six months ended 31 July 2023	Year ended 31 January 2024
	(Number)	(Number)	(Number)
Weighted average number of shares in issue	**345,984,119**	342,701,920	343,339,468
Weighted average number of dilutive share options	**2,413,510**	4,586,823	3,940,467
Weighted average number of shares for diluted earnings per share	**348,397,629**	347,288,743	347,279,935
	£'m	£'m	£'m
Profit for the financial period	**10.5**	19.2	49.5

	pence	pence	pence
Basic earnings per share	**3.0**	5.6	14.4
Diluted earnings per share	**3.0**	5.5	14.3

9 Dividends

On 23 September 2024, the Directors resolved to pay an interim dividend of 1.2 pence per share. This represents approximately 25% of the expected full year dividend, subject to the financial performance of the Group in the remainder of the financial year being in line with expectations. The interim dividend will be payable to shareholders on the share register on 1 November 2024, with payments to be made on 11 December 2024.

In June 2024, the Group paid a final dividend of 4.5 pence per share (totalling £15.5 million) in respect of the FY24 financial year. This dividend represented the total dividend for FY24 (including an amount in lieu of an interim dividend) with interim dividends unable to be paid last year due to restrictions in the Group's previous financing facilities that remained in place until 31 January 2024.

10 Intangible assets

	Goodwill	Software	Total
	£'m	£'m	£'m
Cost			
At 1 February 2024	328.2	35.0	363.2
Additions	–	1.8	1.8
Transfers	–	–	–
At 31 July 2024	328.2	36.8	365.0
Amortisation and impairment			
At 1 February 2024	14.4	17.4	31.8

Amortisation in the period	–	1.5	1.5
Impairment in the period	–	–	–
At 31 July 2024	14.4	18.9	33.3
Net book value			
At 31 July 2024	**313.8**	**17.9**	**331.7**
At 31 January 2024	313.8	17.6	331.4

11 Property, plant and equipment

	Freehold property £'m	Leasehold improvements £'m	Plant, equipment, fixtures & vehicles £'m	Total £'m
Cost				
At 1 February 2024	22.6	40.8	95.7	159.1
Additions	–	–	5.0	5.0
At 31 July 2024	22.6	40.8	100.7	164.1
Depreciation and impairment				
At 1 February 2024	5.3	40.0	67.9	113.2
Depreciation in the period	0.4	0.3	3.9	4.6
At 31 July 2024	5.7	40.3	71.8	117.8
Net book value				
At 31 July 2024	**16.9**	**0.5**	**28.9**	46.3
At 31 January 2024	17.3	0.8	27.8	45.9

12 Leases

The Group has lease contracts, within the definition of IFRS 16 leases, in relation to its entire Store lease portfolio, some warehousing locations and motor vehicles. Other contracts, including distribution contracts and IT equipment, are deemed not to be a lease within the definition of IFRS 16 or are subject to the election not to apply the requirements of IFRS 16 to short-term or low value leases.

Right of use assets	**Six months ended 31 July 2024 £'m**	Six months ended 31 July 2023 £'m	Year ended 31 January 2024 £'m
Buildings	101.7	97.8	98.2

Motor Vehicles	1.0	0.8	1.0
	102.7	98.6	99.2

The right of use assets movement in the year is as follows:

	Six months ended 31 July 2024 £'m	Six months ended 31 July 2023 £'m	Year ended 31 January 2024 £'m
At the beginning of the period	**99.2**	100.5	100.5
Acquisition of SA Greetings	**-**	1.4	1.9
Additions:			
Buildings	**21.4**	15.0	32.0
Motor vehicles	**0.3**	0.8	1.2
Disposals	**(0.5)**	(0.4)	(0.7)
Depreciation charge:			
Buildings	**(17.4)**	(18.7)	(35.4)
Motor vehicles	**(0.3)**	(0.2)	(0.5)
Net impairment Reversal/(Charge)	**-**	0.2	0.2
At the end of the period	**102.7**	98.6	99.2

Disposals and depreciation on disposals include fully depreciated right of use assets in respect of expired leases where the asset remained in use whilst a lease renewal was negotiated.

Lease liabilities	**Six months ended 31 July 2024 £'m**	Six months ended 31 July 2023 £'m	Year ended 31 January 2024 £'m
Current lease liabilities	**(22.1)**	(26.0)	(25.3)
Non-current lease liabilities	**(81.4)**	(75.6)	(75.5)
Total lease liabilities	**(103.5)**	(101.6)	(100.8)

Lease expense	**Six months ended 31 July 2024 £'m**	Six months ended 31 July 2023 £'m	Year ended 31 January 2024 £'m
Depreciation expense on right of use assets	**17.7**	18.9	35.9
Impairment of right of use assets	–	–	(0.2)
Profit on disposal of right of use assets	–	(1.0)	(1.2)
Lease interest	**3.7**	2.8	6.3

Expense relating to variable lease payments	**0.2**	0.1	0.6
Total lease related income statement expense	**21.6**	20.8	41.4

13 Inventories

	31 July 2024	31 July 2023	31 January 2024
	£'m	£'m	£'m
Finished Goods	55.5	48.4	49.5
Work in progress	0.9	1.1	0.5
	56.4	49.5	50.0

Inventories are stated net of provisions totalling £9.5 million (FY24: £9.6 million). The cost of inventories recognised as an expense and charged to cost of sales in the period, net of movements in provisions, was £69.8 million (HY24: £65.6 million).

14 Analysis of Net Debt

Six months ended 31 July 2024	At 1 February 2024	Cash flow	Non-cash changes	At 31 July 2024
	£'m	£'m	£'m	£'m
Secured bank loans and accrued interest	(44.8)	(53.5)	(0.9)	(99.2)
Lease liabilities	(100.8)	22.2	(24.9)	(103.5)
Total debt	(145.6)	(31.3)	(25.8)	(202.7)
Debt costs capitalised	(0.7)	(1.7)	0.8	(1.6)
Bank overdraft	(0.2)	(0.5)	–	(0.7)
Cash and cash equivalents	11.3	15.3	–	26.6
Net Debt	(135.2)	(18.2)	(25.0)	(178.4)
Lease liabilities	100.8	(22.2)	24.9	103.5
Net Debt excluding lease liabilities	(34.4)	(40.4)	(0.1)	(74.9)

Six months ended 31 July 2023	At 1 February 2023	Cash flow	Non-cash changes	At 31 July 2023
	£'m	£'m	£'m	£'m
Secured bank loans and accrued interest	(65.7)	(21.7)	(4.9)*	(92.3)
Lease liabilities	(105.4)	21.3	(17.5)	(101.6)
Total Debt	(171.1)	(0.4)	(22.4)	(193.9)

Debt costs capitalised	(1.4)	–	0.4	(1.0)
Bank overdraft	(1.8)	(4.3)	–	(6.1)
Cash and cash equivalents	11.7	15.8	–	27.5
Net Debt	(162.6)	11.1	(22.0)	(173.5)
Lease liabilities	105.4	(21.3)	17.5	101.6
Net Debt excluding lease liabilities	(57.2)	(10.2)	(4.5)	(71.9)

Year ended 31 January 2024	At 1 February 2023	Cash flow	Non-cash changes	At 31 January 2024
	£'m	£'m	£'m	£'m
Secured bank loans and accrued interest	(65.7)	30.1	(9.2)	(44.8)
Lease liabilities	(105.4)	43.7	(39.1)	(100.8)
Total debt	(171.1)	73.8	(48.3)	(145.6)
Debt costs capitalised	(1.4)	–	0.7	(0.7)
Bank overdraft	(1.8)	1.8	(0.2)	(0.2)
Cash and cash equivalents	11.7	(0.4)	–	11.3
Net Debt	(162.6)	75.2	(47.8)	(135.2)
Lease liabilities	105.4	(43.7)	39.1	100.8
Net Debt excluding lease liabilities	(57.2)	31.5	(8.7)	(34.4)

On 26 April 2024, the Group successfully concluded a refinancing of its debt facilities, having agreed a new four-year £125 million committed revolving credit facility with a syndicate of banks. The previous revolving credit facility and Term Loan B have been fully repaid and cancelled as part of refinancing.

The new facilities have an initial maturity date in April 2028, with options to extend by up to 19 months, subject to lender approval. The facilities include a £75 million accordion, which can be drawn subject to lender approval. The interest margin on the facilities is dependent upon the Group's Leverage position, with margins between 1.9-2.8% which is lower than the previous facilities. The new facilities include covenants for a maximum leverage ratio (calculated as Net Debt excluding leases divided by EBITDA less rent costs for the prior 12 months) of 2.5x and a fixed charge cover ratio of at least 1.75x tested semi-annually. The Group expects to operate comfortably within these covenant levels for the foreseeable future.

The Group's cash generation profile typically follows a seasonal pattern, with higher cash outflows in the first half of the year associated with lower seasonal sales and investment in working capital ahead of the Christmas season. The inverse is then usually true in the second half, as Christmas sales lead to reduced stock levels and higher cash inflows. As a result, Net Debt at the end of both the half year and at the year-end is usually lower than the intra-year peak, which typically occurs during the third quarter.

15 Financial instruments

Financial instruments carried at fair value are measured by reference to the following fair value hierarchy:

- Level 1: quoted prices in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Derivative financial instruments are carried at fair value and measured under a level 2 valuation method. Valuations are provided by the instrument counterparty.

For all other financial instruments, the fair value approximates to their carrying amounts.

	31 July 2024	31 July 2023	31 January 2024
	£'m	£'m	£'m
Derivative assets			
Non-current			
Interest-rate contracts	–	0.2	–
Foreign exchange contracts	**0.6**	0.5	0.6
	0.6	0.7	0.6
Current			
Interest-rate contracts	**0.1**	0.8	0.2
Foreign exchange contracts	**0.6**	0.9	0.7
	0.7	1.7	0.9
Derivative liabilities			
Current			
Interest rate contracts	–	–	(0.1)
Foreign exchange contracts	**(1.3)**	(2.5)	(1.6)
	(1.3)	(2.5)	(1.7)
Non-current			
Interest rate contracts	–	–	(0.1)
Foreign exchange contracts	**(0.8)**	(1.0)	(0.7)
	(0.8)	(1.0)	(0.8)
Net derivative financial instruments			
Interest rate contracts	**0.1**	1.0	–
Foreign exchange contracts	**(0.9)**	(2.1)	(1.0)
	(0.8)	(1.1)	(1.0)

Fair value movements in foreign currency derivatives are recognised in other comprehensive income to the extent the contract is part of an effective hedging relationship. The fair value loss of £0.1 million that do not form part of an effective hedging relationship have been charged to the income statement (HY24: loss on £0.9 million) within cost of sales.

16 Notes to the cash flow statement

Reconciliation of operating profit to cash generated from operations:

	31 July 2024	31 July 2023	31 January 2024
	£'m	£'m	£'m
Profit Before Tax	**14.0**	24.7	65.6
Gain on bargain purchase	–	(2.6)	(2.6)

Net finance expense	**7.5**	6.0	13.4
Operating profit	**21.5**	28.1	76.4
Adjusted for:			
Depreciation and amortisation	**24.3**	24.0	46.3
Reversal of Impairment of right of use assets	**(0.5)**	–	(0.2)
Impairment of tangible assets	–	–	0.2
Impairment of intangible assets	–	–	1.1
Gain on disposal of fixed assets	–	(1.0)	(1.2)
Cash flow hedging foreign currency movements	**(0.1)**	1.3	(0.4)
Unrealised foreign exchange (gains)/losses	–	–	0.5
Share-based payments charge	**1.5**	1.0	2.1
Operating cash flows before changes in working capital	**46.7**	53.4	124.8
(Increase)/Decrease in receivables	**(14.8)**	(8.5)	3.6
(Increase) in inventories	**(6.5)**	(0.4)	(1.2)
(Decrease) in payables	**(4.6)**	(7.9)	(6.5)
Movement in provisions	**(3.3)**	(0.3)	(2.0)
Cash from Operations	**17.5**	36.3	118.7

17 Provisions

Six months ended 31 July 2024	Covid-19-related support	Property Provision	Total
	£'m	£'m	£'m
At 1 February 2024	5.4	2.1	7.5
Provisions utilised during the period	(3.2)	–	(3.2)
Provisions released during the period	–	0.1	0.1
Provisions provided during the period	–	(0.2)	(0.2)
At 31 July 2024	**2.2**	**2.0**	**4.2**

Six months ended 31 July 2023	Covid-19-related support	Property Provision	Total
	£'m	£'m	£'m
At 1 February 2023	7.4	2.1	9.5
Provisions utilised during the period	–	(0.1)	(0.1)
Provisions released during the period	–	(0.4)	(0.4)

Provisions provided during the period	–	0.2	0.2
At 31 July 2023	**7.4**	**1.8**	**9.2**

Year ended 31 January 2024	Covid-19-related support	Property Provision	Total
	£'m	£'m	£'m
At 1 February 2023	7.4	2.1	9.5
Provisions utilised during the year	–	(0.2)	(0.2)
Provisions released during the year	(2.0)	0.2	(1.8)
Provisions provided during the year	–	–	–
At 31 January 2024	**5.4**	**2.1**	**7.5**

Covid-19-related support provisions reflect amounts received under one-off schemes designed to provide support to businesses affected by Covid-19 restrictions, including lockdown grants and CJRS, in excess of the value the Group reasonably believes it is entitled to retain under the terms and conditions of those schemes. The provisions have been estimated based on the Group's interpretation of the terms and conditions of the respective schemes and, where applicable, independent professional advice. Although the actual amount that will be repaid is not certain, events up to 31 July 2024 have added a level of comfort that the outstanding provision is materially correct.

In February 2024 the Group reached a proposed settlement with the Department for Business and Trade for a portion of the provision that relates to business support grants received by the Group during FY21 and FY22. The value of the proposed settlement was £3.2 million and following a review of the residual position, in FY24 the Group released £2.0 million from the provision which reflected a proportionate reduction in the value of the provision for the amounts to be settled at the time. The business support grants settlement was paid in April 2024 and has been utilised from the provision as above.

The Group continues to hold discussions regarding settlement of the remaining element of the provision and to date has received no new substantive evidence regarding its position in respect of other support received relating to business rates relief. A further provision of £2.2 million remains at 31 July 2024 in respect of potential repayment of support received in excess of subsidy control thresholds for business rates relief, consistent with the nature of the provision held in the prior year. The minimum requirement for this element of the provision is expected to be £1.2 million, subject to interpretation of the guidance relating to individual support schemes and subsidy control thresholds. The Group believes a range of reasonably possible outcomes remains and that the Group's provision reflects a reasonable assessment of the amount that may be repayable. The Group does not believe that any position within the range of reasonably possible outcomes would reflect a material change to the provision held at 31 July 2024 and this provision is classified as current as the Group is actively aiming to resolve this settlement in the next 12 months.

The Group maintains provisions in respect of its store portfolio to cover both the estimated cost of restoring properties to their original condition upon exit of the property and any non-lease components of lease contracts (such as service charges) that may be onerous. Despite the size of the Group's store portfolio, such provisions are generally small which is consistent with the Group's experience of actual dilapidations and restoration costs. Specific provisions are usually made where the Group has a reasonable expectation that the related property may be exited, or is at a higher risk of exiting, in the near future and are generally expected to be utilised in the short-term. Any non-current portion of the provision is considered immaterial.

18 Principal risks and uncertainties

The principal risks and uncertainties facing the Group are materially unchanged since the publication of the Annual Report (as published and explained in more detail on pages 64 to 68 of the Group's Annual Report for the year ended 31 January 2024) and are set out below for each category of risk.

Financial Risks:

- Geopolitical Instability
- Cost price inflation

Operational Risks:

- IT Infrastructure and Security

- Business continuity
- Cyber
- Supply Chain
- Regulatory compliance

Strategic Risks:

- ESG Compliance and climate change risks

19 Related party transactions

The Group has taken advantage of the exemptions contained within IAS 24 ‘Related Party Disclosures’ from the requirement to disclose transactions between Group companies as these have been eliminated on consolidated.

A full listing of the Group’s subsidiary undertakings is provided in the 2024 Annual Report and Accounts. Since 31 January 2024, the Group has added two new subsidiaries, in connection with an expansion into the US market, as set out below:

Cardfactory US Holdings Inc.

Cardfactory USA LLC

The Group owns 100% of each of these entities, all of which are incorporated in USA at the registered address Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, Delaware,19801.

The key management personnel of the Group comprise the Card Factory plc Board of Directors, the Executive Board and the Senior Leadership Team. Disclosures relating to remuneration of key management personnel are included in note 5 of the 2024 Annual Report and Accounts financial statements. Further details of Directors’ remuneration are set out in the Directors’ Remuneration Report of the Annual Report and Accounts on pages 84 to 107. Directors of the Company and their immediate families control 0.022% of the ordinary shares of the Company.

There were no other related party transactions in the period.

20 Subsequent Events

On 4 September 2024, the Group completed the acquisition of Garlanna Holdings Limited and its subsidiary companies (Garlanna). Garlanna trades as a publisher and wholesale supplier of cards, wrap and gift bags in the Republic of Ireland. Garlanna’s historical revenues have typically been <1% of the consolidated annual revenue of the Group. The acquisition will strengthen the Group’s position within the Republic of Ireland market and is expected to provide further wholesale opportunities. Given the short period of time between the completion of the acquisition and these interim financial statements being published, the acquisition accounting is incomplete and the disclosures required by IFRS 3 have not been provided. The Group expects to include provisional acquisition disclosures commensurate with the size of the acquisition as part of its annual report for FY25.

Responsibility statement of the Directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as contained in UK-adopted IFRS;
- the interim management report includes a fair review of the information required by:
  a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Darcy Wilson Rymer	Matthias Seeger
Chief Executive Officer	Chief Financial Officer

24 September 2024

Independent review report to Card Factory plc

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2024 which comprises consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated cash flow statement and related notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2024 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 (Revised), "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with UK adopted IFRSs. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410 (Revised), however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority. In preparing the half-yearly financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of the review report

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK) 2410 issued by the Financial Reporting Council and our Engagement Letter dated 17 September 2024. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Forvis Mazars LLP
Chartered Accountants
One St Peter's Square
Manchester
M2 3DE

Date: 24 September 2024

Alternative Performance Measures ("APMs") and other explanatory information

In the reporting of the preliminary results and condensed consolidated financial statements, the Directors have adopted various Alternative Performance Measures ('APMs') of financial performance, position or cash flows other than those defined or specified under International Financial Reporting Standards ('IFRS').

These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including those in the Group's industry or that appear to have similar titles or labels. APMs should be considered in addition to IFRS measures and are not intended to be a substitute for IFRS measurements.

The Directors believe that these APMs provide additional useful information on the performance and position of the Group and are intended to aid the user in understanding the Group's results. The APMs presented are consistent with measures used internally by the Board and management for performance analysis, planning, reporting and incentive setting purposes.

The table below sets out the APMS used in this report, with further information regarding the APM, and a reconciliation to the closest IFRS equivalent measure, below.

Sales APMs	Like-for-Like Sales (LFL)
Profitability APMs	EBITDA Adjusted Profit Before Tax (PBT) Adjusted Earnings per Share (EPS)
Financial Position APMs	Net Debt Leverage and Adjusted Leverage
Cash Flow APMS	Operating Cash Conversion

<u>Sales APMs</u>

LFL Sales
Closest IFRS Equivalent: Revenue

Like-for-like or LFL calculates the growth or decline in gross sales in the current period versus a prior comparative period.

For Stores, LFL measures exclude any sales earned from new stores opened in the current period or closed since the comparative period and only consider the time period where stores were open and trading in both the current and prior period.

LFL measures for product lines or categories, where quoted, are calculated using the same principles.

LFL measures for our Online businesses (cardfactory.co.uk and gettingpersonal.co.uk) compare gross sales for the current and comparative period made through the respective Online platform.

All LFL measures in this report compare HY25 to HY24, unless otherwise stated.

In addition, the Group reports combined Like-for-like sales measures for certain components of the business as follows:

"cardfactory LFL" is defined as Like-for-like sales in Stores plus Like-for-like sales from the cardfactory website www.cardfactory.co.uk;

"Online": Like-for-like sales for cardfactory.co.uk and gettingpersonal.co.uk combined.

Sales by Printcraft, the Group's printing division, to external third-party customers and Partnerships sales are excluded from any LFL sales measure.

Reconciliation of Revenue to LFL Sales				
	cardfactory Stores £m	**cardfactory Online £m**	**cardfactory LFL £m**	**Getting Personal £m**
Revenue HY25	221.4	3.7	225.1	2.1
VAT	37.3	0.7	38.0	0.4
Adjustment for Stores not open in both periods	(6.7)	–	(6.7)	–
LFL Sales HY25	252.0	4.4	256.4	2.5
Revenue HY24	208.6	3.4	212.0	2.4
VAT	41.0	0.8	41.8	0.6
Adjustment for Stores not open in both periods	(6.6)	–	(6.6)	–
LFL Sales HY24	243.0	4.2	247.2	3.0
LFL Sales Growth	**+3.7%**	**+5.9%**	**+3.7%**	**-15.2%**

Note percentages are calculated based on absolute figures before rounding.

Profitability APMs

EBITDA

Closest IFRS Equivalent: Operating Profit[1]

[1] Whilst operating profit is not defined formally in IFRS, it is considered a generally accepted accounting measure.

EBITDA is earnings before interest, tax, gains or losses on disposal, depreciation, amortisation and impairment charges. Earnings is equivalent to profit after tax calculated in accordance with IFRS and each adjusting item is calculated in accordance with the relevant IFRS.

The Group uses EBITDA as a measure of trading performance, as it usually closely correlates to the Group's operating cash generation.

Reconciliation of EBITDA to Operating Profit		
	HY25 £m	**HY24 £m**
Operating Profit	21.5	28.1
Add back:		
Depreciation	22.3	22.4
Amortisation	1.5	1.6
Gains on disposal	–	(1.0)
Impairment charges	–	–
EBITDA	45.3	51.1

Adjusted PBT

Closest IFRS Equivalent: Profit Before Tax

Adjusted PBT is Profit Before Tax adjusted to exclude the effect of transactions that, in the opinion of the Directors, are one-off in nature and as such are not expected to recur in future period and could distort the impression of future performance trends based on the current year results. The Group uses Adjusted PBT to assess its performance on an underlying basis excluding these items and believe measures adjusted in this manner provide additional information about the impact of unusual or one-off items on the Group's performance in the period.

In the six months ended 31 July 2024, the Directors have identified the following items that they believe to meet the definition of 'one-off' for this purpose:

- £0.5 million of finance costs relating to amortisation of debt costs as a result of the refinancing completed in HY25.

The following items were taken into account in arriving at Adjusted PBT for the equivalent period last year (HY24):

- The gain on bargain purchase related to the acquisition of SA Greetings of £2.6 million.

Reconciliation of Adjusted PBT to Profit Before Tax		
	HY25	**HY24**

	£m	£m
Profit Before Tax	14.0	24.7
Add back / (Deduct):		
Acquisition gain	–	(2.6)
Refinancing cost	0.5	–
Adjusted PBT	14.5	22.1

Adjusted Earnings per Share (EPS)
Closest IFRS Equivalent: Basic Earnings per Share

Adjusted EPS is earnings per share adjusted to exclude the post-tax effect of items identified as one-off and excluded from Adjusted PBT in the period.

The calculation applies the effective tax rate for the period (determined by dividing the tax charge by profit before tax for the period), to Adjusted PBT (as calculated above) to determine an adjusted earnings figure. No adjustments are made to the weighted average number of shares used in the EPS calculation.

The Group calculates Adjusted EPS as it is the basis of dividend calculations under its capital allocation policy, under which the Board targets a dividend cover ration of between 2-3x Adjusted EPS.

Calculation of Adjusted EPS and reconciliation to Basic EPS.		
	HY25	**HY24**
Weighted average number of shares in issue (A)	345,984,119	342,701,920
Profit after tax for the period (B)	£10.5m	£19.2m
Basic EPS (B)/(A)	3.0 pence	5.6 pence
Adjusted PBT	£14.5m	£22.1m
Effective tax rate	25.0%	22.2%
Tax charge on Adjusted PBT	(£3.6m)	(£4.9m)
Adjusted Profit for the period (C)	£10.9m	£17.2m
Adjusted EPS (C)/(A)	3.1 pence	5.0 pence

Financial Position APMs

Net Debt

Closest IFRS Equivalent: No equivalent; however is calculated by combining IFRS measures for Cash and Borrowings.

Net Debt is calculated by subtracting the Group's cash and cash equivalents from its gross borrowings (before debt-issue costs). Net Debt is a key measure of the Group's balance sheet strength, and is also a covenant in the Group's financing facilities. The Group presents Net Debt both inclusive and exclusive of lease liabilities, but focusses upon the value exclusive of lease liabilities, which is consistent with the calculation used for covenant purposes.

Calculation of Net Debt		
	HY25 £m	**HY24 £m**
Current Borrowings	0.7	23.6
Non-Current Borrowings	99.2	74.8
Add back Debt Issue Costs	1.6	1.0
Gross Borrowings	101.5	99.4
Cash	(26.6)	(27.5)
Net Debt (exc. Leases)	**74.9**	**71.9**
Lease Liabilities	103.5	101.6
Net Debt (inc. Leases)	**178.4**	**173.5**

Leverage

Closest IFRS Equivalent: No equivalent; however, is calculated with reference to Net Debt and EBITDA, which are reconciled to relevant IFRS measures in this section.

Leverage is the ratio of Net Debt (excluding lease liabilities) to EBITDA for the previous 12 months expressed as a multiple. Adjusted Leverage is calculated in the same way, but deducts lease-related charges from EBITDA.

The Group monitors and reports leverage as a key measure of its financing position and as an assessment of the Group's ability to manage and repay its debt position. Adjusted Leverage is consistent with a covenant defined within the Group's financing facilities.

Under its capital allocation policy, the Group targets Adjusted Leverage below 1.5x throughout the financial year. As described in the Group Financial Review above the Group's cash flows and earnings are materially affected by seasonality, with higher sales and cash flows in the second half of the year linked to the Christmas season. As a result, net debt levels are lower and Leverage improved at the year end, after the Christmas season.

Calculation of Leverage		
	HY25 £m	**HY24 £m**
Net Debt (as calculated above)	74.9	71.9
EBITDA for H1 (as calculated above)	45.3	51.1
EBITDA for H2 of prior year	71.5	71.2
EBITDA (last 12 months)	116.8	122.3
Leverage	**0.6x**	**0.6x**

Cash Flow APMs

Operating Cash Conversion

Closest IFRS Equivalent: No equivalent; however is calculated with reference to Cash from Operating Activities (an IFRS measure) and EBITDA, which is reconciled to Operating Profit in this section.

Operating cash conversion is Cash from operations (calculated as cash from operating activities before corporation tax payments) per the cash flow statement prepared in accordance with IFRS divided by EBITDA and expressed as a percentage.

Calculation of Operating Cash Conversion		
	HY25 £m	**HY24 £m**
Cash from Operations	17.5	36.3
EBITDA	45.3	51.1
Operating Cash conversion	**38.6%**	**71.0%**

Other Financial Calculation Information

Unless otherwise stated, amounts in this report are presented in Pound Sterling (GBP), and have been rounded to the nearest £0.1 million.

Information in tables or charts may not add down or across, or calculate precisely, due to rounding.

Percentage movements, where provided, are based on amounts before they were rounded to the nearest £0.1 million.