13 August 2020

4imprint Group plc
Half year results for the period ended 27 June 2020 (unaudited)

4imprint Group plc (the "Group" or the "Company"), the leading direct marketer of promotional products, announces its half year results for the period ended 27 June 2020.

Financial overview	**Half year 2020 $m**	Half year 2019 $m	Change
Revenue	**265.81**	405.06	-34%
Underlying* profit before tax	**0.25**	19.79	-99%
Profit before tax	**0.03**	19.45	-100%
Underlying* basic EPS (cents)	**0.73**	55.81	-99%
Basic EPS (cents)	**0.07**	54.81	-100%
Interim dividend per share (cents)	**nil**	25.00	-100%
Interim dividend per share (pence)	**nil**	20.52	-100%

* Underlying is before defined benefit pension charges and exceptional items.

The results for the half year and prior half year are unaudited.

Operational overview

- H1 results significantly impacted by COVID-19 pandemic
- 470,000 total orders processed in H1 2020 (2019: 778,000)
- Business successfully managed through 'lockdown'
- Safety and retention of team members prioritised
- Marketing recalibrated to resonate with customers during the pandemic whilst producing material cost savings
- Order counts have recovered to a current run rate above 50% of prior year
- Strong financial position; cash balance of $37.49m at half year

Paul Moody, Chairman said:

"Although significant uncertainty remains over the likely duration and extent of the pandemic, the Board is confident that the core strength of the Group's highly flexible business model and competitive positioning will allow it to take advantage of the opportunity presented by a recovering market, leaving it well placed to re-establish the growth pattern of recent years."

For further information, please contact:

4imprint Group plc
Tel. + 44 (0) 20 3709 9680

Kevin Lyons-Tarr - CEO
David Seekings - CFO

MHP Communications
Tel. + 44 (0) 20 3128 8794 / +44 (0) 7884 494112

Katie Hunt
Rachel Mann

Chairman's Statement

Impact of COVID-19

The first half of 2020 was dominated by the spread of the COVID-19 pandemic and its impact on our business. From early March onwards the Group experienced unprecedented disruption and challenges on many levels. Trading was severely affected as weekly order counts plunged from 13% ahead of prior year for the first two months of the year to a low point in mid-April of less than 20% of the 2019 comparative. Order counts have subsequently recovered to a current run rate of above 50% of prior year.

This demand profile produced a material negative impact on financial performance. Group revenue in the first half of 2020 was $265.81m, a decrease of $139.25m or 34% from prior year. Profit before tax was just above breakeven for the six-month period, (2019: $19.45m), resulting in basic earnings per share of 0.07c, (2019 54.81c).

Response

Our actions in response to the COVID-19 crisis have focused on protecting the long-term prospects of the business, staying true to our culture, and mitigating adverse consequences for our stakeholders. In particular:

- We have pursued a people-led approach during this difficult time. The protection and retention of our team members is central to our culture and remains essential to our success. This approach gives us full confidence in our ability to provide excellent service to our customers and to capitalise fully on the opportunities that will emerge as demand levels recover.
- We successfully managed the enforced closure of our office and distribution operations during several weeks of 'lockdown', and the subsequent staged re-opening of these facilities observing health and safety as well as social distancing protocols. An expanded 'work from home' capability has allowed us to continue providing excellent customer service throughout this challenging period.
- We have worked together with our suppliers more closely than ever to ensure product availability in the context of a changing product mix and a challenging production environment. Our promise to pay our suppliers on time has been kept.
- We have radically recalibrated our marketing activities in order to maintain a presence with both existing and prospective customers. This has proved effective and appropriate in materially reducing spend at a time of decreased demand while also protecting the longer-term prospects of the business.
- We have prioritised cost control and cash conservation to preserve liquidity, controlling discretionary spend, delaying capital projects, removing any bonus payments for 2020 and cancelling the final dividend that had been declared with the 2019 full year results.

Communication and governance

At a time of severe operational disruption, the Board has worked to ensure strong and effective communication and active governance including but not limited to:

- Full attendance at all Board meetings and supplementary conference calls, often convened at short notice.
- Uninterrupted internal information flow, including KPIs, scheduled financial reporting and regular updates to the Board by the Executive Directors.
- Clear and timely external information flow, specifically trading updates to the market detailing order counts, operational adjustments and the Group's liquidity position, followed up with extensive investor engagement.
- Regular updates from the CEO to all team members, updating them on the impact of COVID-19 and our evolving plans.

Dividend

At the 2019 final results in March, we proposed a final dividend of 59.00c. As the extent of the pandemic became clear, and in order to maintain maximum liquidity, we took the prudent step of cancelling that dividend. In the face of substantial residual economic uncertainty, we are not proposing an interim dividend for 2020.

Pension update

As previously agreed with the Trustee, in May 2020 we paid a 'lump sum' contribution of $9.14m into our legacy defined benefit pension plan. In addition to improving the funding level of the plan, this contribution sets in motion the final phase of our pension de-risking strategy by positioning the plan for eventual buyout within a five-year timeframe.

Outlook

Thanks to strong trading pre-pandemic and a prudent balance sheet funding philosophy, the Group was in excellent financial health coming in to the COVID-19 crisis. This has permitted management to make decisions that support the longer-term health of the business and are consistent with 4imprint's purpose and culture. The Group remains in a strong financial position with good liquidity, including a cash balance at the half year of $37.49m and an undrawn, committed bank facility of $20.00m.

Although significant uncertainty remains over the likely duration and extent of the pandemic, the Board is confident that the core strength of the Group's highly flexible business model and competitive positioning will allow it to take advantage of the opportunity presented by a recovering market, leaving it well placed to re-establish the growth pattern of recent years.

Paul Moody

Chairman

13 August 2020

Operating and Financial Review

Operating Review

Revenue	**Half year 2020 $m**	Half year 2019 $m	Change
North America	**260.54**	394.43	-34%
UK and Ireland	**5.27**	10.63	-50%
Total	**265.81**	405.06	-34%

Underlying* operating profit	**Half year 2020 $m**	Half year 2019 $m	Change
Direct Marketing operations	**1.92**	21.16	-91%
Head office	**(1.79)**	(1.73)	-3%
Total	**0.13**	19.43	-99%

* Underlying is before defined benefit pension charges and exceptional items.

The results for the half year and prior half year are unaudited.

Overview

After a decade of strong year-over-year organic growth, increased market share in keeping with our strategic objectives and successful expansion of our operations, the emergence of the COVID-19 pandemic in the first half of 2020 caused an unprecedented collapse in demand that severely impacted our results. This situation has presented a multitude of challenges, but equally it has brought out the best in our team members who have worked tirelessly to adapt our operational capabilities and thoroughly test the resilience of our business model.

2020 started auspiciously, with total orders received up more than 13% over prior year at the end of February. From the second week in March onwards, however, we experienced a significant reduction in daily order flow as 'lockdown' orders were widely implemented. Order counts in the US hit a low point in the second week of April, falling to less than 20% of the comparative week in 2019. Demand activity in the small UK business also saw a sharp contraction during this period. As the partial or full lifting of restrictions began in many US states in May and early June, weekly order counts increased steadily, and are now running above 50% of prior year. In total, just over 470,000 orders were processed in the first half on 2020, compared to more than 778,000 in the same period in 2019.

Encouragingly, we continued to acquire new customers during this period, albeit at much lower levels, with the new-to-existing customer ratio staying in a broadly stable band throughout. In addition, the average order value was higher than historical comparatives during this period of depressed demand.

As a direct result of these factors, Group revenue of $265.81m was 66% of the prior year number of $405.06m. Underlying operating profit was $0.13m, (2019: $19.43m). Although clearly very disappointing as a financial result, this half year performance must be set in the context of extreme circumstances and is materially ahead of the bleakest scenarios contemplated in April. In addition, swift decision making and a very keen eye on cost have minimised operational cash burn in the first half of the year, leaving the Group with a strong liquidity position and a firm platform for further recovery as market conditions improve.

Operational summary

Throughout the pandemic, our first priority has been the health, safety and wellbeing of our team members. We have operated in compliance with evolving governmental guidelines and best practices, and robust safety and social distancing protocols have been implemented in our facilities. We have prioritised the retention of our team members, staying true to the culture that has been essential to our success over many years. Whilst involving an element of short-term financial investment, we believe that this approach puts us in the best possible position to capitalise on the opportunities arising from an eventual economic recovery.

Since the beginning of the pandemic we have been able to provide an undiminished service offering to our customers via an enhanced and expanded 'work from home' capability. Firstly, this allowed us to provide continuity of service under 'lockdown' conditions. Secondly, even though our office and distribution facilities are now fully re-opened, a majority of our office-based team members continue to work productively from home, minimising the risk of virus transmission and making effective social distancing much more practical.

Given the global nature of the pandemic, our supply chain has not been left unaffected by the crisis. At the start of the year our initial concerns centered on the blank goods imported by our domestic suppliers to be printed as our customers order them. Those concerns were largely mitigated by the timing of the inventory cycle relative to the Chinese New Year. The more significant impact in the period was related to the myriad of logistical and production implications caused by the rapidly changing situation regarding local lockdowns, delivery delays and other challenges. Our long-term, close working relationships with our suppliers meant that we worked together very effectively, ensuring the best possible flow of products and service to our customers even during the 'lockdown' period. We are proud of what we have achieved together with our supplier partners during this very challenging time.

Marketing, which is at the center of our strategy and has driven our significant growth over the years, is the largest expense in the business. In reaction to the impact of the pandemic, we radically recalibrated our marketing activities in a very short space of time. Catalogue circulation and Blue Box™ mailings were stopped and have only recently begun to be added back to the mix as more customers return to their place of work. Search engine spend was significantly reduced to align with lower demand in the market. We developed and deployed two new TV campaigns during the period, each delivering contextually appropriate messaging to potential new customers and to our existing customers during this difficult time, while also taking advantage of dramatically lower airing costs. The different elements of this marketing recalibration resulted in a material overall cost reduction. Marketing costs in the second quarter were $9.49m, compared to $41.10m in the same period in 2019, striking an effective balance between maintaining brand awareness and capturing the limited demand in the market at the same time as preserving cash to allow increased investment in marketing as and when conditions warrant.

Cash conservation has been central to our management of the business throughout the COVID-19 crisis. All discretionary overhead cost has been tightly controlled and any incentive or bonus compensation has been cancelled for the year. Capital expenditure has been reduced to the minimum and most planned projects have been postponed. These measures, along with the major marketing cost reductions outlined above, have allowed us to maintain the Group's culture and preserve a strong financial position as we enter the second half of 2020.

Competitive position

The Group's financial strength has allowed us the flexibility to make decisions that support the ongoing investment in our people and our marketing activities. These are crucial elements underlying the enduring agility, resilience - and success - of our very low fixed cost direct marketing business model.

We came into the COVID-19 crisis in a strong position, growing rapidly on the back of an effective strategy. Although the pandemic has had a dramatic and negative impact on demand in the promotional products industry, we remain confident in the business model and the strategy. Whilst it is impossible to reliably predict the timing and trajectory of a recovery, we are poised to take full advantage of the eventual market share opportunities that will result.

Financial Review

	Half year 2020 Underlying* $m	Half year 2019 Underlying* $m	**Half year 2020 Total $m**	Half year 2019 Total $m
Underlying* operating profit	**0.13**	19.43	**0.13**	19.43
Defined benefit pension scheme administration costs			**(0.16)**	(0.14)
Net finance income	**0.12**	0.36	**0.12**	0.36
Pension finance charge			**(0.06)**	(0.20)
Profit before tax	**0.25**	19.79	**0.03**	19.45

* Underlying is before defined benefit pension charges and exceptional items.

The results for the half year and prior half year are unaudited.

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

	Half year 2020 $m	Half year 2019 $m
Revenue	**265.81**	405.06
Gross profit	**77.28**	131.67
Marketing costs	**(47.16)**	(79.18)
Selling costs	**(15.21)**	(15.31)
Admin & central costs	**(14.36)**	(17.24)
Share option related charges	**(0.42)**	(0.51)
Underlying operating profit	**0.13**	19.43

After strong trading in the first two months, the spread of the COVID-19 pandemic had a significant detrimental effect on Group performance in the remainder of the first half of 2020. Group revenue for the period was $265.81m (2019: $405.06m), a decrease of 34.4%, reflecting a significant drop in demand.

The gross profit percentage in the first half reduced to 29.1% (2019: 32.5%). The primary influences, in order of magnitude, were: (i) excess production labour classified within cost of sales (embroidery, warehouse, artwork) not fully absorbed against low order volume; (ii) elevated average order values attracting higher customer volume discounts; (iii) product mix and residual tariff-related product cost increases; and (iv) lower supplier rebate accrual rates due to decreasing volume.

Marketing costs were 17.7% of revenue in the period, comparing favourably to 19.5% of revenue in 2019. This reflects swift and decisive realignment of the marketing portfolio in the face of decreased demand.

Shown within admin costs is $3.51m of employee retention credits under the US CARES Act. Head Office costs were essentially flat year-over-year at $1.79m.

As a result of the above factors, underlying operating profit was just above breakeven at $0.13m (2019: $19.43m).

Foreign exchange

The Group reports in its primary trading currency, US dollars. Sterling/US dollar is the exchange rate most relevant to the Group's financial performance.

	Half year 2020		Half year 2019		Full year 2019	
	Period end	**Average**	Period end	Average	Period end	Average
Sterling	**1.23**	**1.26**	1.27	1.29	1.31	1.28

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

- Translational risk in the income statement remains low. In the first half of 2020 98% of the Group's revenue was in US dollars, the Group's reporting currency. The net impact from currency movements on the 2020 half year income statement was not material to the Group's results.
- Most of the constituent elements of the Group balance sheet are US dollar-based. The main exception to this is the Sterling-based defined benefit pension liability. Currency movements produced an exchange gain on the pension liability of $0.86m for the first half of 2020.
- The Group generates cash mostly in US dollars, but its primary applications of post-tax cash are Shareholder dividends, pension contributions and some Head Office costs, all of which are paid in Sterling. As such, the Group's cash position is sensitive to Sterling/US dollar exchange movements. To the extent that Sterling weakens against the US dollar, more funds are available in payment currency to fund these cash outflows.

Share option charges

A total of $0.42m (2019: $0.51m) was charged in the period in respect of IFRS 2 'Share-based payments'. This charge was made up of two elements: (i) executive awards under the 2015 Incentive Plan and (ii) charges in respect of the 2019 UK SAYE Scheme and the 2018 US Employee Stock Purchase Plan.

Current options outstanding are: 115,563 share options under the UK SAYE and US ESPP schemes; and 68,472 share options and awards under the 2015 Incentive Plan.

Net finance income

Net finance income in the period was $0.12m (2019: $0.36m). This is made up of external interest received on deposits, offset by fees on borrowing facilities and lease interest charges under IFRS 16. The year-over-year reduction in net external interest is due primarily to lower yields on lower deposits.

Taxation

The tax charge for the half year was $0.01m (2019: $4.08m). The composite tax rate of 21% (2019: 21%) reflects the expected tax rate for the Group for the full year in 2020. The charge relates principally to taxation payable on profits earned in the USA.

Earnings per share

Underlying basic earnings per share was 0.73c (2019: 55.81c), a decrease of 98.7%. This reflects the decrease of 98.7% in underlying profit after tax, and a weighted average number of shares in issue similar to prior year.

Basic earnings per share was 0.07c (2019: 54.81c), a decrease of 99.9% over prior year.

Dividends

In April 2020 the Board took the prudent step to cancel the 2019 final dividend due to be paid in May 2020. This decision was taken in order to maintain maximum flexibility and liquidity for the business at a time of significant uncertainty as to how quickly markets might recover. Inherent uncertainty remains at the time of reporting the 2020 half year results, and as such the Board is not proposing an interim dividend for 2020.

Importantly, the Board has not fundamentally changed its dividend policy, and it will continually reassess this position in future periods.

Defined benefit pension scheme

The Group sponsors a legacy UK defined benefit scheme which has been closed to new members and future accruals for several years. The scheme has 97 pensioners and 260 deferred members.

At 27 June 2020, the deficit of the scheme on an IAS 19 basis was $3.51m, compared to $12.31m at 28 December 2019. Gross scheme liabilities under IAS 19 were $37.24m and assets were $33.73m.

The change in deficit is analysed as follows:

	$m
IAS 19 deficit at 29 December 2019	**12.31**
Pension administration costs paid by the scheme	**0.17**
Pension finance charge	**0.06**
Contributions by employer	**(10.91)**
Re-measurement losses on post-employment obligations	**3.93**
Return on pension scheme assets (excluding interest income)	**(1.19)**
Exchange gain	**(0.86)**
IAS 19 deficit at 27 June 2020	**3.51**

The net liability decreased by $8.80m in the period, driven primarily by employer's contributions of $10.91m and return on assets of $1.19m, offset by remeasurement losses of $3.93.

The Company paid a 'lump sum' deficit contribution of £7.5m ($9.14m) in May 2020. This was in addition to the regular monthly contributions into the Plan. These contributions are part of a recovery plan agreed by the Company and the Trustee that aims towards funding on a buyout basis by mid-2024.

Cash flow

Net cash was $37.49m at 27 June 2020 (29 June 2019: $42.66m; 28 December 2019: $41.14m).

Cash flow in the period is summarised as follows:

	Half year 2020 $m	Half year 2019 $m
Underlying operating profit	**0.13**	19.43
Share option non-cash charges	**0.42**	0.50
Depreciation and amortisation	**1.65**	1.35
Amortisation of right of use assets	**0.82**	0.75
Profit on sale of property, plant and equipment	**(0.08)**	-
Change in working capital	**9.18**	17.58
Capital expenditure (net)	**(3.25)**	(4.18)
Underlying operating cash flow	**8.87**	35.43
Tax	**(0.14)**	(3.26)
Interest	**0.12**	0.36
Defined benefit pension contributions	**(10.91)**	(1.66)
Purchase of own shares	**(0.22)**	(1.28)
Capital element of lease payments	**(0.81)**	(0.82)
Exchange loss	**(0.56)**	(0.08)
Free cash flow	**(3.65)**	28.69
Dividends to Shareholders	**-**	(13.51)
Net cash (outflow)/inflow in the period	**(3.65)**	15.18

The Group free cash flow in the period before the special pension contribution of $9.14m was $5.49m (2019: $28.69m), further emphasising the efficient and cash generative qualities of the Group's business model even in the challenging circumstances resulting from the COVID-19 pandemic.

Working capital inflow in the first half of 2020 was $9.18m, principally reflecting typical seasonal fluctuations in payables and receivables around mid-year.

Capital expenditure was $3.25m in the period (2019: $4.18m). In the interests of cash conservation, minimal further capital expenditure projects are planned for the remainder of 2020.

$0.22m of cash was paid in the period to the Employee Benefit Trust. These funds were used to purchase 4imprint Group plc shares in order to cover the requirements of the US ESPP scheme, which matures in December 2020, and future UK SAYE and 2015 Incentive Plan maturities.

Balance sheet and Shareholders' funds

Net assets at 27 June 2020 were $61.18m, compared to $62.95m at 28 December 2019. The balance sheet is summarised as follows:

	27 June 2020 $m	28 December 2019 $m
Non-current assets	**31.86**	31.84
Working capital	**(4.04)**	5.15
Net cash	**37.49**	41.14
Pension deficit	**(3.51)**	(12.31)
Other assets/(liabilities) net	**(0.62)**	(2.87)
Net assets	**61.18**	62.95

Shareholders' funds reduced by $1.77m since the 2019 year end. Constituent elements of the movement were net profit in the period of $0.02m and $0.42m of share option related movements, net of $(0.02) exchange, $(1.98)m of net pension movements and own share transactions of $(0.21)m.

The Group had a net negative working capital balance of $(4.04)m at 27 June 2020, ($(11.73)m at 29 June 2019). This is a typical half year working capital profile reflecting the low capital requirements of the Group.

The net pension deficit, stated on an IAS 19 basis, reflects the 'lump sum' payment of $9.14m made into the plan in May 2020.

Financing and liquidity

Full details of the Board's balance sheet funding guidelines and capital allocation priorities were set out on page 20 of the Group's 2019 Annual Report & Accounts. The Board retains the same guidelines in both of these areas.

The primary aim of the Group's conservative balance sheet funding approach is to facilitate continued investment in marketing, people and technology through different economic cycles, recognising that an economic downturn typically represents a market share opportunity for the business. As a result of this approach, the Group entered the COVID-19 crisis with a substantial cash balance and no debt. Despite the effects of COVID-19 on financial performance, the Group remained in a strong financial position at the 2020 half year, enabling management to make decisions that look to the longer-term health of the Group and which support 4imprint's distinctive culture.

The Group has a $20.0m working capital facility with its principal US bank, JPMorgan Chase, N.A. The facility has standard debt service coverage ratio and debt to EBITDA covenants. The interest rate is US$ LIBOR plus 2.0%, and the facility expires on 31 May 2022. In addition, an overdraft facility of £1.0m, with an interest rate of bank base rate plus 2.00%, is available from the Group's principal UK bank, Lloyds Bank plc.

The Group had cash balances of $37.49m at the period end and has no current requirement or plans to raise additional equity or core debt funding.

Critical accounting policies

Critical accounting policies are those that require significant judgments or estimates and potentially result in materially different results under different assumptions or conditions. It is considered that the Group's only critical accounting policies are in respect of pensions and leases.

Principal risks and uncertainties

The Group may be affected by a number of risks and uncertainties. The principal risks comprise: macroeconomic conditions; markets & competition; currency exchange; business facility disruption; disruption to the product supply chain or delivery service; disturbance in established marketing techniques; reliance on key personnel; failure or interruption of information technology systems and infrastructure; failure to adapt to new technological innovations; and cyber security.

At the 2020 half year these risks, uncertainties and associated mitigating activities remain consistent with the detailed review set out on pages 22 to 26 of the Group's Annual Report 2019, a copy of which is available on the Group's website: https://investors.4imprint.com. However, the COVID-19 pandemic in the first half of 2020 has placed significant focus on certain risk areas. The Group's effective response to these evolving risks has been crucial, and it will shape the risk agenda for the remaining months of the 2020 financial year. The heightened risk areas identified, with associated commentary, are:

Macroeconomic conditions:	The COVID-19 crisis has led to severe economic disruption and a significant reduction in overall demand in the promotional products industry. Recovery in 4imprint's primary markets will be dependent on the duration and scope of the pandemic, the nature and severity of possible future containment measures, and the potential further deterioration in the financial health of customers. The Group's mitigation strategies remain unchanged, but there is closer monitoring of economic conditions for signs of recovery as well as maintaining liquidity and preserving the marketing platform.
Business facility disruption:	The 4imprint business model relies on centralised facilities. 'Lockdown' orders have meant that office and distribution facilities were essentially closed for periods in the first half of the year. A repetition of these facility closures might conceivably recur in the second half of the year. In mitigation, a robust 'work from home' capability was in place for customer service well before the pandemic hit and was rapidly expanded in the first half of the year to include most support functions.

Disruption of supply:	At the start of the pandemic the supply chain looked like it could present a problem, with around 60% of blank product originating in China. Significant disruption in supply would lead to lost revenue. This eventuality was largely avoided through good timing of bulk inventory purchases by domestic suppliers. Geo-political risk has increased as a result of heightened trade tensions between the US and China. Mitigation activities are unchanged, however relationships with key suppliers have become even closer in recent months.

The Board has ultimate responsibility for risk management. In practice this takes the form of a pragmatic overall approach that is tailored specifically towards the nature of the Group's business model and operations, and the way that it is structured and controlled. Business operations are conducted from centralised facilities, with short reporting lines. The Executive Directors are close to day-to-day business operations, facilitating early identification of and proactive response to ongoing and emerging risks.

This approach proved to be particularly appropriate in the first half of 2020, including early and regular senior management team meetings leading to the rapid assembly and deployment of working groups within the business to assess impacts and make plans covering, for example: internal/team member communications; health and safety protocols and escalation procedures; shut-down of facilities; continuity of customer service; supply chain; and embroidery production. The Board has met regularly since the onset of the pandemic, receiving regular operational updates.

Brexit

The uncertainty surrounding the Brexit process continues. Overall, however, it is still considered that the nature and geography of the Group's operations, with 98% of the Group's revenue originating in North America, leave it in a strong position to absorb any negative effects and the uncertainty does not impact our evaluation of going concern.

Going concern statement

In accordance with the UK Corporate Governance Code 2018 the Directors are required to state whether or not it is appropriate to adopt the going concern basis of accounting, and to identify any material uncertainties over the Group's ability to do so over a period of at least twelve months from the date of these financial statements.

Assessment of prospects

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

- The Group's strategy, market position and business model, as set out on pages 8 to 17 of the 2019 Annual Report, which are central to an understanding of its prospects.
- The principal risks and uncertainties facing the Group, as outlined in the Principal risks and uncertainties section of this Financial Review.
- Information contained in this Financial Review concerning the Group's financial position, cash flows and liquidity position.
- Regular management reporting and updates from the Executive Directors.
- Recent detailed financial forecasts and analysis.

Whilst the COVID-19 pandemic has had a major impact on trading volumes, the Board considers that the Group's strategy, competitive position and business model remain entirely relevant and, indeed, have proved to be resilient and agile under stress. Business operations have been able to adapt successfully to the challenging and rapidly changing conditions in a timely manner. The marketing portfolio was radically re-shaped in a very short space of time, and discretionary overhead spend has been tightly controlled, demonstrating the essentially minimal fixed cost base of the direct marketing model. In addition, capital spend has been minimised and dividend payments have been temporarily halted. These actions, coupled with the strong financial position of the Group going into this crisis, give the Board confidence that despite substantial residual uncertainty as to future market conditions, the Group will be in a good position both to withstand further economic stress and to take market share opportunities in a recovering market.

Methodology and sensitivities

In the light of the assessment of prospects outlined above, the Group's financial results over recent years, and its performance through the first half of 2020, the Board considers that the key factor that would prejudice the ongoing viability and liquidity of the Group is a significant additional decline in demand.

A 'base case' was developed for the purposes of financial modelling. The commercial underpin to this model is the Board's view that whilst the promotional products market has contracted in the first half of 2020, for example due to the cancellation of trade shows and physical events, our recent experience is that market demand has remained resilient across the product range and customer base. The base case started with current order volumes at around 50% of 2019 levels, gently increasing through the second half of 2020 and eventually returning to 100% of 2019 demand by the end of 2021. As revenue increases, marketing costs are modelled to return to historical levels, as measured by the Group's revenue per marketing dollar KPI. This base case shows improving financial results, an accumulating cash balance and no liquidity concerns.

An alternative 'distressed' forecast was then produced to model the effects on the Group's liquidity of an extreme downside scenario based on severe, but plausible demand assumptions. This model assumes a significant relapse in demand patterns beginning in September 2020, with order volumes dropping back to 15% of 2019 levels until the end of 2020, and only recovering very gradually through 2021 to end at around 60% of 2019 order levels. This distressed model involves long periods of demand significantly bleaker than the worst actual experience in April 2020 and is intended to simulate a new COVID-19 surge, a further wave of full-scale lockdowns, and no near-term prospect of an effective vaccine or treatment for COVID-19, resulting in severely diminished corporate demand in a downsized promotional products market.

Even under the extreme stress built into the distressed model, the Group retains sufficient liquidity throughout the going concern period. This liquidity is in the form of cash balances. In addition, there are further mitigating actions that the Group could take, including cutting marketing cost and reducing headcount, that are not modelled into the distressed forecast but would, if required, be fully under the Group's control.

The assumptions used in the base forecast and the resultant sensitised financial forecasts have been reviewed and approved by the Board. The conclusion of this review is that the Group has significant flexibility in its variable costs, a very low fixed cost base and enters the going concern period with a strong net cash position, enabling it to remain cash positive even under severe economic stress.

Based on the above the Directors have evaluated the Group's prospects and have a reasonable expectation that the Group will continue to operate and to meet its liabilities as they fall due, for at least the next twelve months. On this basis, the Directors continue to adopt the going concern basis in preparing the condensed consolidated half year financial statements.

Kevin Lyons-Tarr

Chief Executive Officer

David Seekings

Chief Financial Officer

13 August 2020

Condensed Consolidated Income Statement (unaudited)

	Note	**Half year 2020 $'000**	Half year 2019 $'000	Full year 2019 $'000
Revenue	6	**265,808**	405,057	860,844
Operating expenses	7	**(265,841)**	(385,773)	(807,224)
Operating (loss)/profit	6	**(33)**	19,284	53,620
Finance income		**154**	402	818
Finance costs		**(7)**	(6)	(22)
Interest on lease liabilities		**(26)**	(32)	(45)
Pension finance charge		**(62)**	(203)	(378)
Net finance income		**59**	161	373
Profit before tax		**26**	19,445	53,993
Taxation	8	**(5)**	(4,083)	(11,276)
Profit for the period		**21**	15,362	42,717

		Cents	Cents	Cents
Earnings per share				
Basic	9	**0.07**	54.81	152.42
Diluted	9	**0.07**	54.60	151.87
Underlying	9	**0.73**	55.81	154.41

Condensed Consolidated Statement of Comprehensive Income (unaudited)

	Half year 2020 $'000	Half year 2019 $'000	Full year 2019 $'000
Profit for the period	**21**	15,362	42,717
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to the income statement:			
Currency translation differences	**(16)**	(117)	(173)
Items that will not be reclassified subsequently to the income statement:			
Return on pension scheme assets (excluding interest income)	**1,194**	1,888	2,372
Re-measurement losses on post-employment obligations	**(3,931)**	(3,187)	(2,164)
Tax relating to components of other comprehensive (expense)/income	**520**	247	(570)
Effect of change in UK tax rate	**238**	-	(9)
Total other comprehensive expense net of tax	**(1,995)**	(1,169)	(544)
Total comprehensive (expense)/income for the period	**(1,974)**	14,193	42,173

Condensed Consolidated Balance Sheet (unaudited)

	Note	**At 27 June 2020 $'000**	At 29 June 2019 $'000	At 28 Dec 2019 $'000
Non-current assets				
Property, plant and equipment		**26,002**	21,854	24,369
Intangible assets		**1,140**	1,075	1,152
Right-of-use assets		**1,164**	1,108	1,985
Deferred tax assets		**3,553**	5,651	4,338
		31,859	29,688	31,844
Current assets				
Inventories		**8,625**	11,572	11,456
Trade and other receivables		**31,400**	48,212	52,899
Current tax		**1,233**	-	140
Cash and cash equivalents		**37,494**	42,660	41,136
		78,752	102,444	105,631
Current liabilities				
Lease liabilities		**(1,234)**	(1,285)	(1,630)
Trade and other payables		**(44,067)**	(71,517)	(59,209)
Current tax		**-**	(183)	-
		(45,301)	(72,985)	(60,839)
Net current assets		**33,451**	29,459	44,792
Non-current liabilities				
Lease liabilities		**-**	-	(415)
Retirement benefit obligations	11	**(3,509)**	(15,046)	(12,305)
Deferred tax liability		**(624)**	(1,120)	(968)
		(4,133)	(16,166)	(13,688)
Net assets		**61,177**	42,981	62,948
Shareholders' equity				
Share capital		**18,842**	18,842	18,842
Share premium reserve		**68,451**	68,451	68,451
Other reserves		**5,238**	5,310	5,254
Retained earnings		**(31,354)**	(49,622)	(29,599)
Total Shareholders' equity		**61,177**	42,981	62,948

Condensed Consolidated Statement of Changes in Shareholders' Equity (unaudited)

	Share capital $'000	Share premium reserve $'000	Other reserves $'000	Retained earnings Own shares $'000	Retained earnings Profit and loss $'000	Total equity $'000
Balance at 29 December 2018	18,842	68,451	5,427	(1,466)	(47,987)	43,267
Adjustments arising from the adoption of IFRS 16					(187)	(187)
Balance at 30 December 2018 after adjustment	18,842	68,451	5,427	(1,466)	(48,174)	43,080
Profit for the period					15,362	15,362
Other comprehensive expense			(117)		(1,052)	(1,169)
Total comprehensive income			(117)		14,310	14,193
Share-based payment charge					502	502
Own shares purchased				(1,281)		(1,281)
Own shares utilised				617	(617)	-
Dividends					(13,513)	(13,513)
At 29 June 2019	18,842	68,451	5,310	(2,130)	(47,492)	42,981
Profit for the period					27,355	27,355
Other comprehensive income			(56)		681	625
Total comprehensive income			(56)		28,036	27,980
Share-based payment charge					426	426
Proceeds from options exercised					339	339
Own shares purchased				(1,625)		(1,625)
Own shares utilised				726	(726)	-
Deferred tax relating to share options					94	94
Deferred tax relating to losses re share options					(101)	(101)
Dividends					(7,146)	(7,146)
At 28 December 2019	18,842	68,451	5,254	(3,029)	(26,570)	62,948
Profit for the period					**21**	**21**
Other comprehensive expense			**(16)**		**(1,979)**	**(1,995)**
Total comprehensive income			**(16)**		**(1,958)**	**(1,974)**
Share-based payment charge					**415**	**415**
Proceeds from options exercised					**17**	**17**
Own shares purchased				**(229)**		**(229)**
Own shares utilised				**491**	**(491)**	**-**
Balance at 27 June 2020	**18,842**	**68,451**	**5,238**	**(2,767)**	**(28,587)**	**61,177**

Condensed Consolidated Cash Flow Statement (unaudited)

	Note	**Half year 2020 $'000**	Half year 2019 $'000	Full year 2019 $'000
Cash flows from operating activities				
Cash generated from operations	12	**1,206**	37,943	56,248
Tax paid		**(141)**	(3,255)	(10,318)
Finance income received		**154**	402	818
Finance costs paid (including interest on lease liabilities)		**(33)**	(38)	(67)
Net cash generated from operating activities		**1,186**	35,052	46,681
Cash flows from investing activities				
Purchases of property, plant and equipment		**(3,109)**	(3,964)	(7,673)
Purchases of intangible assets		**(218)**	(212)	(505)
Net proceeds from sale of property, plant and equipment		**82**	-	-
Net cash utilised in investing activities		**(3,245)**	(4,176)	(8,178)
Cash flows from financing activities				
Capital element of lease payments		**(811)**	(821)	(1,687)
Proceeds from share options exercised		**17**	-	339
Purchase of own shares by EBT		**(229)**	(1,281)	(2,906)
Dividends paid to Shareholders	10	**-**	(13,513)	(20,659)
Net cash used in financing activities		**(1,023)**	(15,615)	(24,913)
Net movement in cash and cash equivalents		**(3,082)**	15,261	13,590
Cash and cash equivalents at beginning of the period		**41,136**	27,484	27,484
Exchange (losses)/gains on cash and cash equivalents		**(560)**	(85)	62
Cash and cash equivalents at end of the period		**37,494**	42,660	41,136
Analysis of cash and cash equivalents				
Cash at bank and in hand		**37,494**	39,766	41,136
Short-term deposits		**-**	2,894	-
		37,494	42,660	41,136

Notes to the Interim Financial Statements

1 General information

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

These condensed consolidated interim financial statements, which were authorised for issue in accordance with a resolution of the Directors on 13 August 2020, do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the period ended 28 December 2019 were approved by the Board of Directors on 3 March 2020 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

The financial information contained in this report has neither been audited nor reviewed by the auditors, pursuant to Auditing Practices Board guidance on Review of Interim Financial Information.

2 Basis of preparation

These condensed consolidated interim financial statements for the half year ended 27 June 2020 have been prepared, in US dollars, in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and IAS 34 'Interim Financial Reporting', as adopted by the European Union, and should be read in conjunction with the Group's financial statements for the period ended 28 December 2019, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

After making enquiries about a number of factors, including current trading and borrowing facilities, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue to operate for a period of at least twelve months from the date these interim financial statements were approved. Accordingly, they continue to adopt the going concern basis in preparing the Interim Report and financial statements (see Financial Review for more detail).

The tax charge for the interim period is accrued based on the best estimate of the tax charge for the full financial year.

3 Accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are consistent with those of the annual financial statements for the period ended 28 December 2019, as described in those annual financial statements. New accounting standards applicable for the first time in this reporting period, and not early adopted by the Group, have no impact on the Group's results.

4 Use of assumptions and estimates

The preparation of the interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making estimates about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

There have been no changes in the key areas involving management estimates since the year end. Assumptions and sensitivities on the recalculation of the defined benefit pension obligations are shown in note 11. Assumptions on the Oshkosh lease remain unchanged (see note 13).

5 Financial risk management

The Group's activities expose it to a variety of financial risks: currency risk; credit risk; liquidity risk; and capital risk. These condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements for the period ended 28 December 2019. There have been no changes in any risk management policies since that date.

Notes to the Interim Financial Statements

6 Segmental analysis

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

At 27 June 2020 the Group had two operating segments, North America and UK & Eire. The costs of Head office are reported separately to the Board, but this is not an operating segment.

Revenue	**Half year 2020 $'000**	Half year 2019 $'000	Full year 2019 $'000
North America	**260,537**	394,433	839,284
UK & Eire	**5,271**	10,624	21,560
Total revenue from the sale of promotional products	**265,808**	405,057	860,844

Profit	**Half year 2020 $'000**	Half year 2019 $'000	Full year 2019 $000
North America	**2,830**	21,014	57,446
UK & Eire	**(909)**	149	(42)
Underlying operating profit from 4imprint Direct Marketing	**1,921**	21,163	57,404
Head Office	**(1,789)**	(1,735)	(3,472)
Underlying operating profit	**132**	19,428	53,932
Defined benefit pension scheme administration costs	**(165)**	(144)	(312)
Operating (loss)/profit	**(33)**	19,284	53,620
Net finance income	**121**	364	751
Pension finance charge	**(62)**	(203)	(378)
Profit before tax	**26**	19,445	53,993
Taxation	**(5)**	(4,083)	(11,276)
Profit after tax	**21**	15,362	42,717

7 Operating expenses

Operating expenses are shown net of US Government Employee Retention Credits and UK Government Job Retention Scheme claims totalling $3.64m (2019: nil).

8 Taxation

The taxation rate was 21%, based on the estimated rate for the full year (H1 2019: 21%; FY 2019: 21%). Tax paid in the period was $0.14m (H1 2019: $3.26m; FY 2019: $10.32m).

The deferred tax assets/liabilities at 27 June 2020 have been calculated at a tax rate of 19% (2019: 19% for items reversing pre-April 2020 and 17% for all other items) in respect of UK deferred tax items and 25% (2019: 25%) in respect of US deferred tax items.

Notes to the Interim Financial Statements

9 Earnings per share

Basic, underlying and diluted

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

	Half year 2020 $'000	Half year 2019 $'000	Full year 2019 $'000
Profit after tax	**21**	**15,362**	42,717

	Half year 2020 $'000	Half year 2019 $'000	Full year 2019 $'000
Profit before tax	**26**	19,445	53,993
Adjustments:			
Defined benefit pension scheme administration costs	**165**	144	312
Pension finance charge	**62**	203	378
Underlying profit before tax	**253**	19,792	54,683
Taxation (note 8)	**(5)**	(4,083)	(11,276)
Tax relating to above adjustments	**(43)**	(66)	(131)
Underlying profit after tax	**205**	15,643	43,276

	Half year 2020 Number 000's	Half year 2019 Number 000's	Full year 2019 Number 000's
Basic weighted average number of shares	**28,001**	28,029	28,026
Adjustment for employee share options	**97**	107	102
Diluted weighted average number of shares	**28,098**	28,136	28,128

	Cents	Cents	Cents
Basic earnings per share	**0.07**	54.81	152.42
Diluted earnings per share	**0.07**	54.60	151.87
Underlying basic earnings per share	**0.73**	55.81	154.41
Underlying diluted basic earnings per share	**0.73**	55.60	153.85

The basic weighted average number of shares excludes shares held in the employee share trust. The effect of this is to reduce the average by 84,682 (H1 2019: 56,566; FY 2019: 59,908).

The underlying basic earnings per share is calculated before the after-tax effect of exceptional items and defined benefit pension charges and is included because the Directors consider this gives a measure of the underlying performance of the ongoing business.

Notes to the Interim Financial Statements

10 Dividends

		Half year 2020 $'000	Half year 2019 $'000	Full year 2019 $'000
Dividends paid in the period		**-**	13,513	20,659

		Cents	Cents	Cents
Dividends per share declared	- Interim	**-**	25.00	25.00
	- Final	**-**	-	-

No interim dividend for 2020 is proposed due to the inherent economic uncertainty that remains at the time of reporting (interim 2019: 25.00c; final 2019: nil).

11 Employee pension schemes

The Group operates defined contribution pension plans for the majority of its UK and US employees. The regular contributions are charged to the income statement as they are incurred.

The Group also sponsors a legacy UK defined benefit pension scheme which is closed to new members and future accruals. The funds of the scheme are held in trust, administered by a corporate trustee, and are independent of the Group's finances.

The last full actuarial valuation was carried out by a qualified independent actuary as at 30 September 2019 and this has been updated on an approximate basis to 27 June 2020 in accordance with IAS 19. There have been no changes in the valuation methodology adopted for this period's disclosures compared to previous periods' disclosure.

The principal assumptions applied by the actuaries at 27 June 2020 were:

	Half year 2020	Half year 2019	Full year 2019
Rate of increase in pensions in payment	**2.75%**	3.05%	2.90%
Rate of increase in deferred pensions	**2.00%**	2.05%	2.15%
Discount rate	**1.40%**	2.25%	1.95%
Inflation assumption:			
- RPI	**2.80%**	3.15%	2.95%
- CPI	**2.00%**	2.05%	2.15%

The mortality assumptions adopted at 27 June 2020 imply the following life expectancies at age 65:

	Half year 2020 Years	Half year 2019 Years	Full year 2019 Years
Male currently aged 40	**22.4**	23.4	22.3
Female currently aged 40	**24.2**	25.4	24.1
Male currently aged 65	**21.3**	22.0	21.3
Female currently aged 65	**23.0**	23.9	23.0

The movement on the net pension obligation is shown in the Financial Review.

The sensitivities on key actuarial assumptions at the period end were:

	Change in assumption	Change in defined benefit obligation
Discount rate	Decrease of 0.25%	4.4%
Rate of inflation	Increase of 0.25%	2.0%
Rate of mortality	Increase in life expectancy of one year	4.2%

Notes to the Interim Financial Statements

12 Cash generated from operations

	Half year 2020 $'000	Half year 2019 $'000	Full year 2019 $'000
Operating (loss)/profit	**(33)**	19,284	53,620
Adjustments for:			
Depreciation charge	**1,423**	1,126	2,345
Amortisation of intangibles	**223**	221	440
Amortisation of right-of-use assets	**819**	750	1,499
Profit on sale of property, plant and equipment	**(82)**	-	-
Share option non-cash charges	**415**	502	928
Defined benefit scheme administration costs – non-cash charge	**165**	144	312
Contributions to defined benefit pension scheme	**(10,909)**	(1,661)	(3,593)
Changes in working capital:			
Decrease/(increase) in inventories	**2,829**	(1,693)	(1,577)
Decrease/(increase) in trade and other receivables	**21,340**	(1,988)	(6,579)
(Decrease)/increase in trade and other payables	**(14,984)**	21,258	8,853
Cash generated from operations	**1,206**	37,943	56,248

13 Leases

The lease term of the Oshkosh office premises ended on 31 March 2020 and the business stayed within the existing office space in the short-term on an agreed 'holding over' lease, as allowed in the original lease agreement. Whilst there is no fixed term for this holding over, a reasonable estimate of the period required before alternative space would be available for occupancy was twelve months from the date of the current lease expiry. Consequently, the lease term was reassessed at the year end and the right-of-use asset and lease liability were increased to reflect an additional twelve months' tenancy to 31 March 2021. A new lease has not yet been signed but this assessment is still considered reasonable.

14 Capital commitments

The Group had capital commitments contracted but not provided for in these financial statements of $0.30m (29 June 2019: $1.56m; 28 December 2019: $1.40m).

15 Related party transactions

The Group did not participate in any related party transactions that require disclosure.

16 Alternative performance measures

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

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

The Group's APMs have not changed in the current period and definitions can be found on page 109 of the 2019 Annual Report.

Notes to the Interim Financial Statements

Statement of Directors' Responsibilities

The Directors confirm that, to the best of their knowledge, these condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and 4.2.8, namely:

- An indication of the important events that have occurred during the first half year and their impact on the condensed consolidated interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- Material related party transactions in the first half year and any material changes in the related party transactions described in the last annual report.

The Directors of 4imprint Group plc are as listed in the Group's Annual Report for 28 December 2019. A list of current Directors of 4imprint Group plc is maintained on the Group website: https://investors.4imprint.com.

By order of the Board

Kevin Lyons-Tarr
Chief Executive Officer

David Seekings
Chief Financial Officer

13 August 2020