

cardfactory

Creating celebrations for all life's moments

Card Factory plc
FY24 Interim results

Six months ended 31 July 2023

26 September 2023



Agenda

- 1. Introduction** *Darcy Willson-Rymer*
- 2. Financial Performance** *Matthias Seeger*
- 3. Strategy Update, including ESG overview** *Darcy Willson-Rymer*
- 4. Summary & Outlook** *Darcy Willson-Rymer*
- 5. Q&A** *Darcy Willson-Rymer & Matthias Seeger*



Section 1

Introduction

Darcy Willson-Rymer, CEO



Strong performance in HY24

- Continued progress in delivering across strategic building blocks of growth.
- Good momentum across the business driving revenue growth.
- Strong store sales growth of +10.5% LFL due to resonance of value and quality proposition, and store range and layout developments, as well as the annualisation of targeted price increases.
- Growing importance of gifts and celebration essentials reflected in the first half of the year with LFL revenue growth of +13.1%, building on greeting cards revenue growth +7.7% LFL in HY24.
- Continued strengthening of balance sheet with reduction in net debt.



Section 2

Financial Performance

Matthias Seeger, CFO



HY24 financial highlights

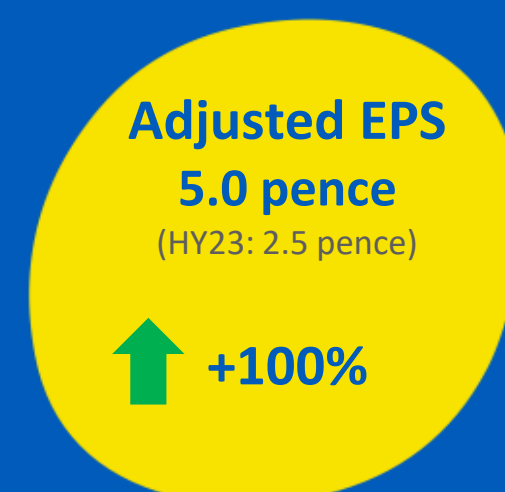
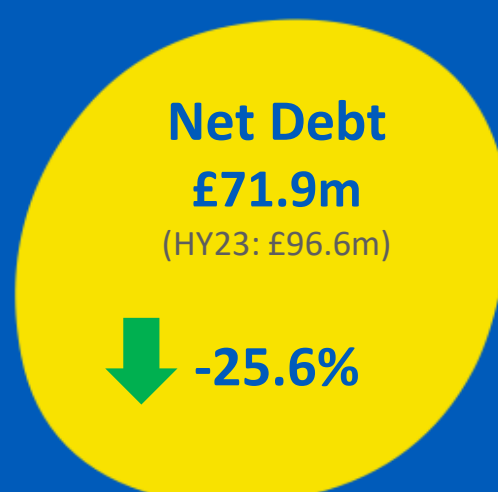
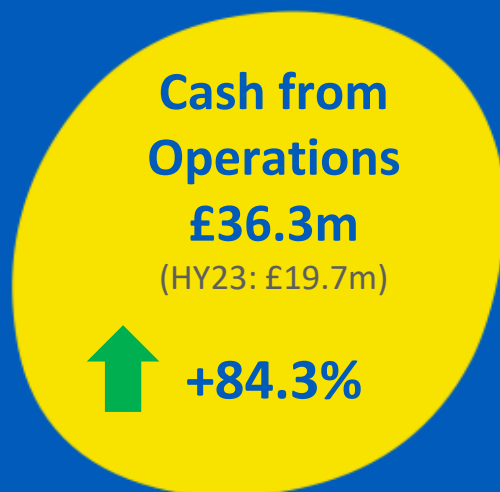
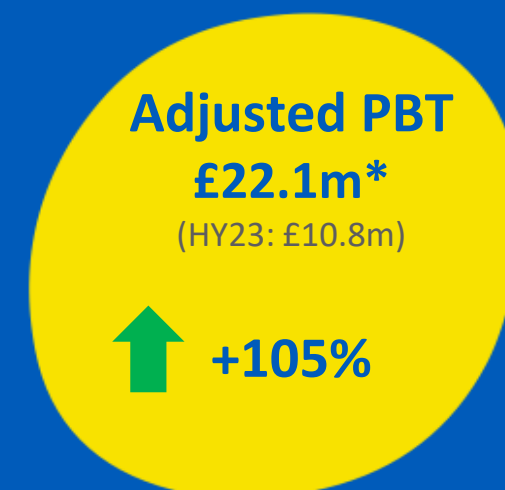
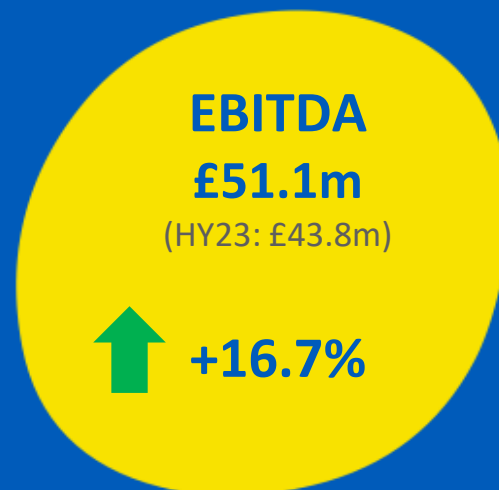
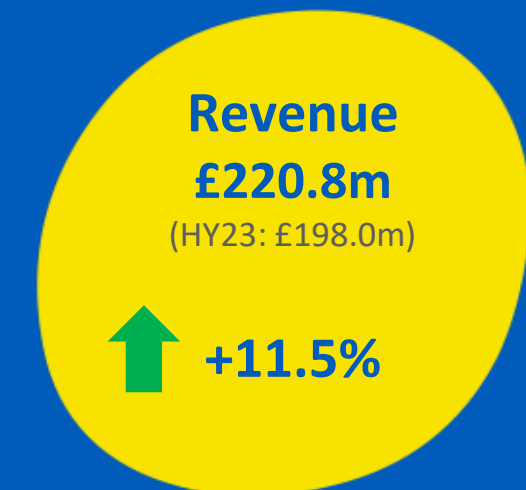
Double-digit sales growth in core business

Adjusted PBT doubled, driven by sales growth and enhanced margins

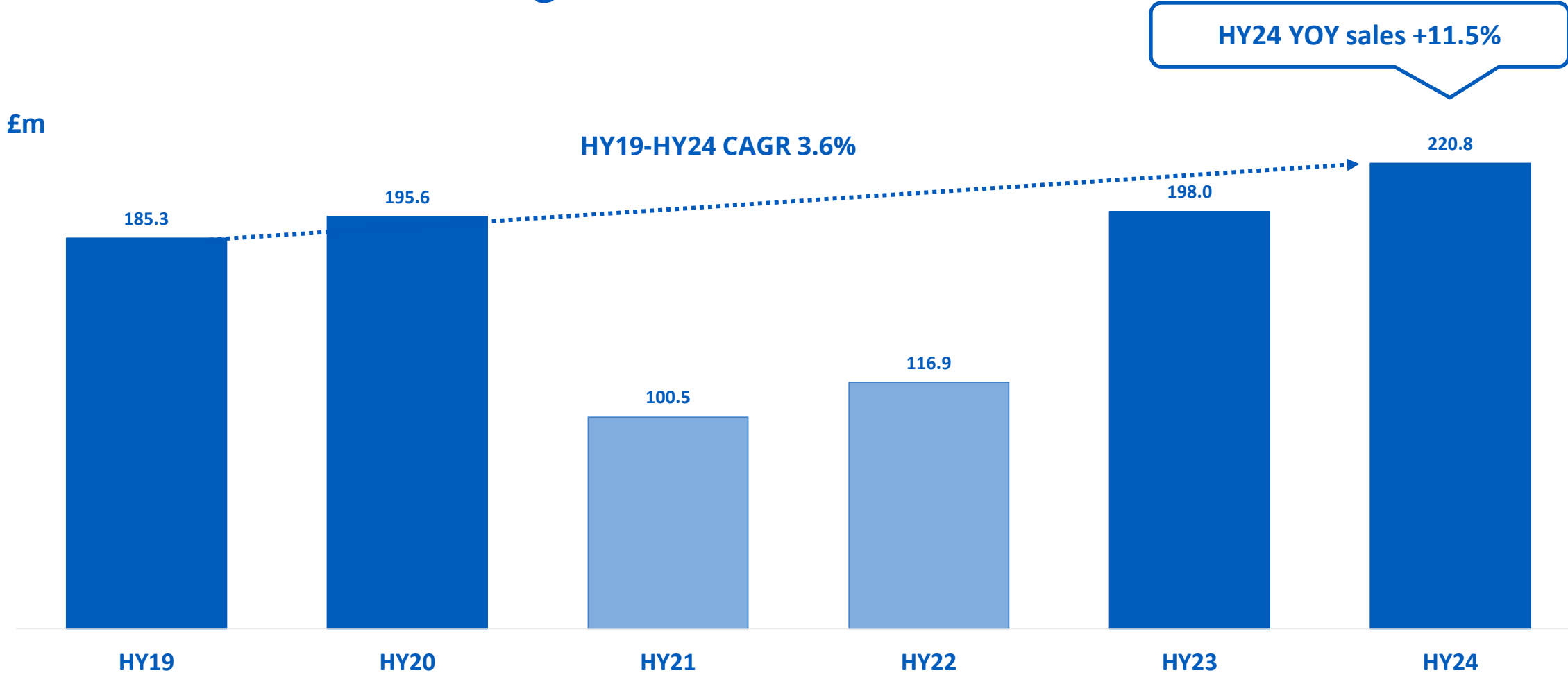
Strong cash generation enabled investment for future growth

Significant net debt reduction strengthened balance sheet

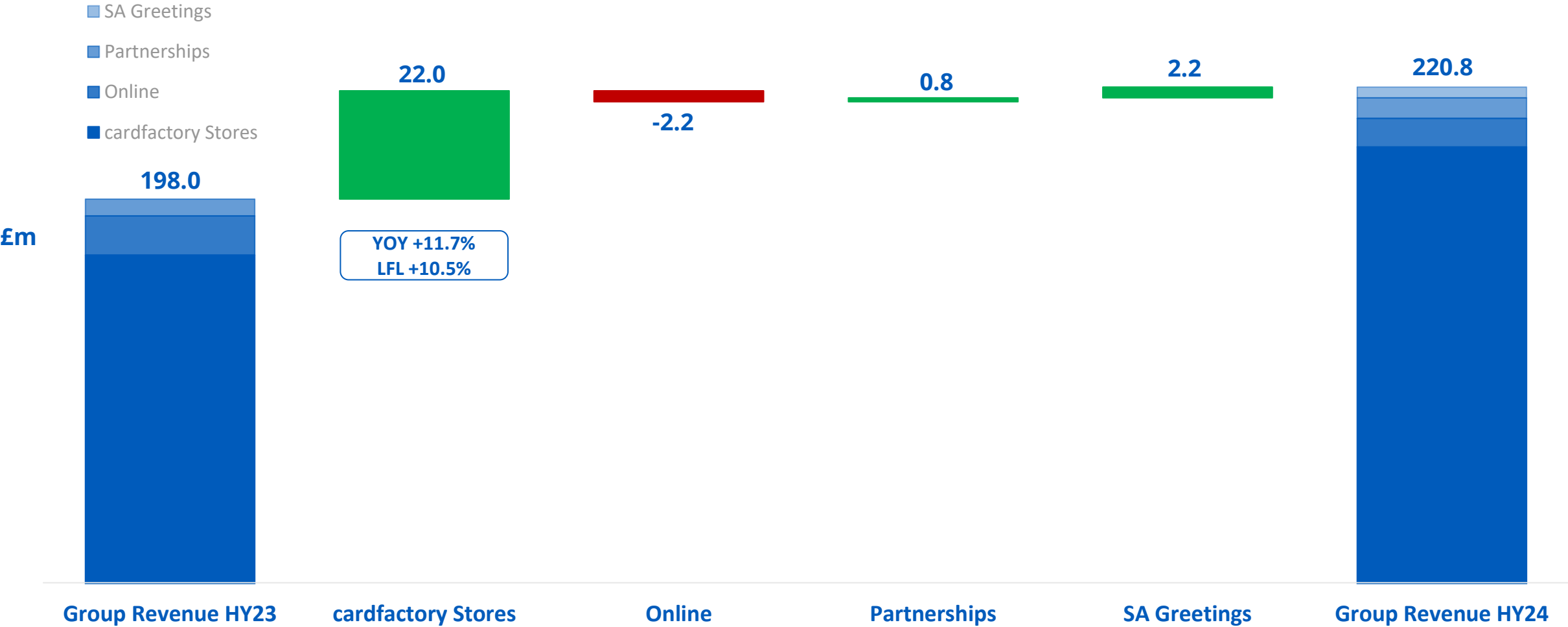
Strong financial performance in HY24



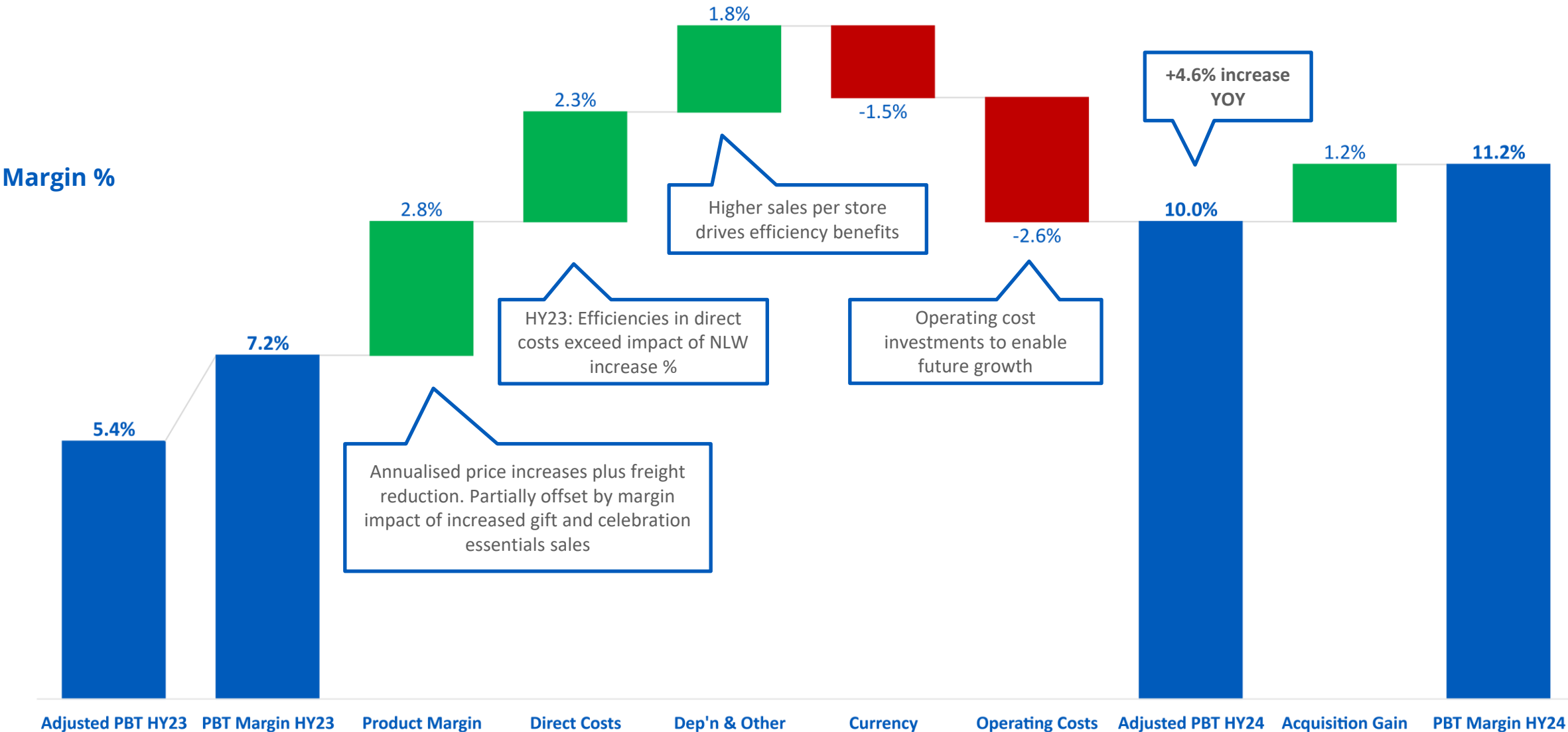
Track record of continuous growth



Double-digit top line growth from strong store LFL sales



Margin enhancement in a challenging economic environment



Significant PBT growth vs HY23

	HY24	HY23	Change
Revenue	£220.8m	£198.0m	£22.8m
Product Margin	£155.2m	£136.4m	£18.8m
Product Margin %	70.3%	68.9%	1.4 ppts
Gross Profit	£81.3m	£65.8m	£15.5m
Gross Margin %	36.8%	33.2%	3.6 ppts
EBITDA	£51.1m	£43.8m	£7.3m
EBITDA Margin %	23.1%	22.1%	1.0 ppts
Profit Before Tax (PBT)	£24.7m	£14.3m	£10.4m
PBT Margin %	11.2%	7.2%	4.0 ppts
Adjusted PBT	£22.1m	£10.8m	£11.3m
Adjusted PBT Margin %	10.0%	5.4%	4.6ppts
Adjusted EPS	5.0 pence	2.5 pence	2.5 pence

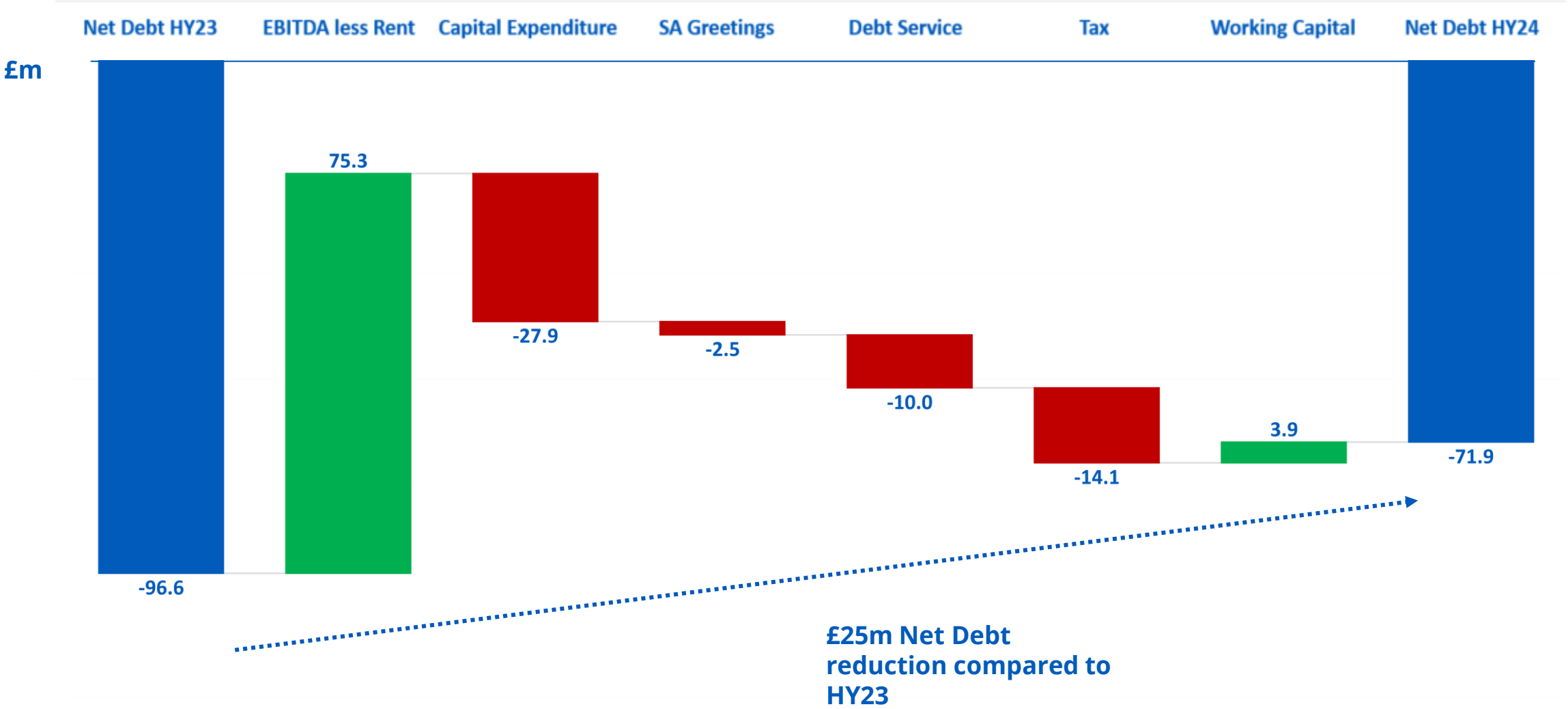
- Product margins enhanced 1.4 ppts; annualisation of FY23 price increases and reductions in international freight costs, partial offset from impact of higher non-card sales and currency.
- Gross margin improved by further 2.2 ppts driven by operational efficiencies, savings in direct labour and energy more than offset wage increases.
- EBITDA margin improved by 1.0 ppts as we invested 2.1 ppts into developing capability and capacity to enable future growth plus added 0.5 ppts in operational costs for SA Greetings.
- PBT margin improved by further 1.8 ppts due to lower store rents and lower debt levels.

Strong operating cash generation with investments in future growth

	HY24	HY23	Change
EBITDA	£51.1m	£43.8m	£7.3m
Cash from Operations	£36.3m	£19.7m	£16.6m
Corporation Tax	(£6.1m)	£0.1m	(£6.2m)
Lease Payments (Rent)	(£19.9m)	(£30.9m)	£11.0m
Capital Expenditure	(£15.3m)	(£5.6m)	(£9.7m)
Acquisition of SA Greetings	(£2.2m)	–	(£2.2m)
Finance Costs	(£6.2m)	(£5.5m)	(£0.7m)
Free Cash Flow	(£13.4m)	(£22.2m)	£9.0m
Proceeds from Borrowings	£24.7m	(£7.6m)	£32.3m
Net Cash Flow	£11.3m	(29.8m)	£41.3m
Operating Cash Conversion	71%	45%	22%

- Significantly improved year-on-year cash generation.
- Strong, normalised operating cash performance:
 - Deferred rent payments cleared in prior year;
 - Normalisation of working capital post-pandemic (net outflow as expected in first half and lower than prior year);
 - Recommencement of corporation tax payments.
- Investment for future growth: £15 million capital expenditure in infrastructure and growth projects, plus £2.5m acquisition of SA Greetings.

Strengthening balance sheet: Deleveraging and reducing net debt



Delivering shareholder value through strong performance

- A strong set of financial results underpinned by strength in our operations and +10.5% Stores LFL sales.
- Significant growth in PBT whilst investing to enable future growth.
- Strong operating cash flows creating capacity to invest for growth and reduction in net debt.
- Delivering against the strategic plan and on trajectory to achieve the FY27 sales target of £650 million and PBT margin of 14%, as set out at the Capital Market Strategy Update in May.
- Restrictions on dividends continue to apply until Term Loan 'A' fully repaid (January 2024) which is the first point at which the Board will consider dividend payments.



Section 3

Strategy Update

Darcy Willson-Rymer



Strategy overview

The leading omnichannel retailer in our sector with extensive UK & ROI footprint and growing international presence

At cardfactory, we make sharing in and celebrating life's moments special and accessible for everyone

Value & Choice

Convenience

Experience

Leadership in Card

We will always be the leader in card range and value

Authority in Gifts and Celebration Essentials

We will build authority as a destination for celebration essentials and gifting

Digital Experience innovation

We will move at pace to innovate in technology and digital experience

Extensive UK & ROI footprint

We will elevate our store experience, grow our footprint and drive LFL transactions

Growing International presence

We will invest and grow our brand and business in key international markets

Customer & community focus

We will use data and insights to put customers at the heart of our business

Passionate colleagues

We will invest in our colleagues to recognize their passion and commitment, and ensure they share in our success

Scalable central model driving organisational efficiency

Creative

Insight driven product, design & creative content publisher at the heart of cardfactory intellectual property

Manufacturing

Ability to scale up production to meet increased demand in line with projections

Technology

Enabling greater efficiency, more agile practices and the ability to do business world-wide

Positive progress on strategic initiatives: Stores

- Continue to develop our Store portfolio.
 - 1,043 Stores across the UK and Republic of Ireland as of July 31.
 - 11 net new Stores in HY24.
- Successfully commenced rollout of Store Evolution Programme:
 - Capex light space realignment completed in over 700 stores with programme to be completed in 750 stores.
 - Display reorganisation progressing well and now complete in 24 stores.
 - Updated store design applied to new Stores and select number of existing Stores in line with current refit costs.
- Introduced new customer service excellence programme for all Store colleagues.



Positive progress on strategic initiatives: Cards and Gifts

Leadership in Cards:

- Ongoing insight-led innovation and range development continues to deliver greeting card revenue growth of +7.7% LFL in HY24.
- Balanced price increases with maintaining value for money credentials through low entry price points and rotating promotional offers.

Gifts and Celebration Essentials:

- Strong LFL growth in gifts and celebration essentials of +13.1%.
- Growth reflects strategic developments and new ranges introduced in the first half which included:
 - Stationery: +68.5% LFL following the range refresh.
 - Soft toys: +34.5% LFL including the introduction of Blue Nose Friends and Tatty Teddy ranges.
- +9.0% LFL growth in confectionery with the expansion of branded offering.



Positive progress on strategic initiatives: Omnichannel and Online

Omnichannel rollout:

- Nationwide UK rollout of Click & Collect completed on 23rd April 2023.
- Early indications that our omnichannel proposition is contributing to store revenue growth:
 - 9% of Click & Collect customers making additional purchases when collecting their orders in-store.
 - Basket spend of these customers is typically 25% higher than our average in-store basket spend.

Online development:

- Continue to invest in our Online platforms and customer experience as part of our omnichannel ambition.
- Work underway to clarify cardfactory Online proposition and develop future Online marketing strategy.



Positive progress on strategic initiatives: Partnerships

International openings:

- New long-term master franchisee agreement signed with Middle East based Liwa Trading Enterprises in April 2023.
- First four franchise Stores opened in Abu Dhabi and Dubai with plans to open around 36 Stores in total over the next five years.
- Continue to progress conversations with prospective partners across our seven markets of interest.

Matalan roll out:

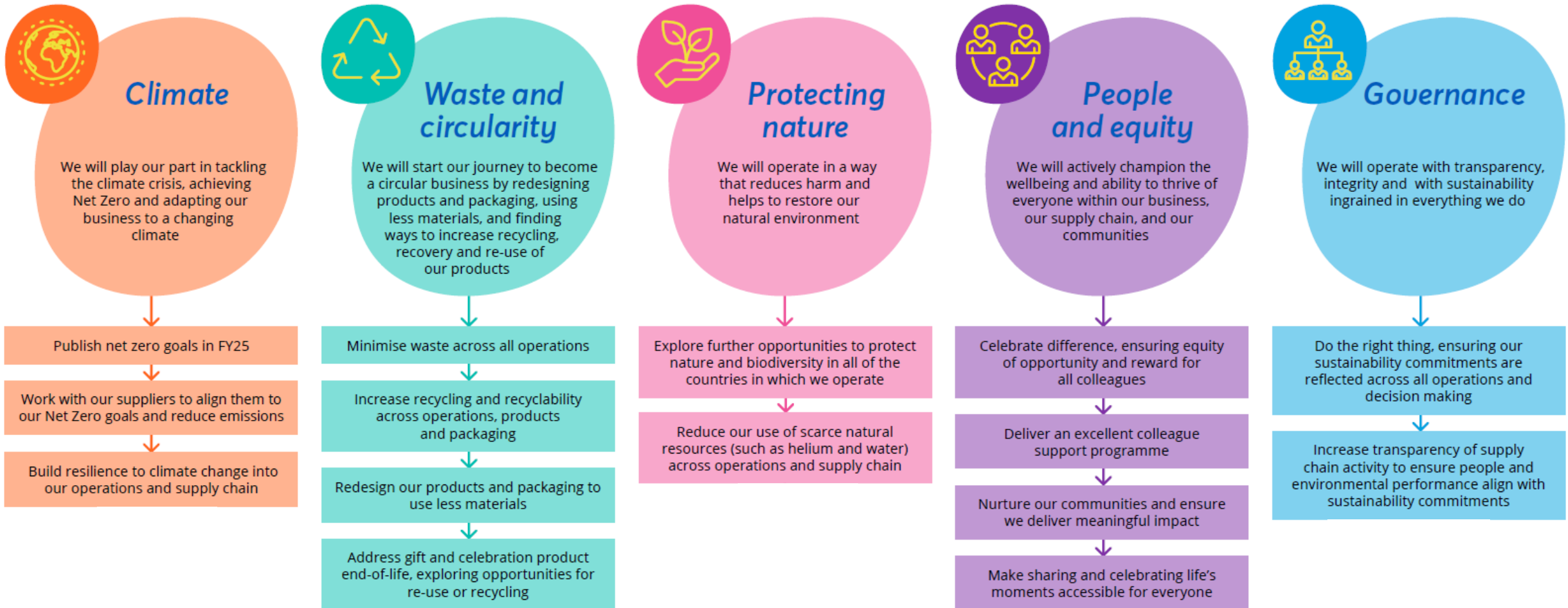
- Agreed new long-term partnership with Matalan in the UK.
- Partnership will see cardfactory cards and celebration essentials available across their entire UK estate of 223 Stores.
- First phase of rollout to 22 Stores completed and second phase underway.

SA Greetings acquisition:

- Completed the acquisition of South African-based SA Greetings in April 2023, supporting our partnership strategy in the region.



Delivering a Sustainable Future: Our new five-year ESG strategy



Section 4

Summary & Outlook

Darcy Willson-Rymer



Preparations for Christmas

- Well prepared for our key Christmas season.
- Christmas roll out underway and will include first fully integrated marketing campaign.
- New products include expanded gift offer with new ranges in areas such as toys, food, confectionery and own label.
- Optimise space to ensure the correct balance between Christmas card, Christmas gifting and Christmas celebration essentials.
- All stock manufactured in line with required delivery dates.
- No issues with inbound logistics for stock manufactured overseas.
- Recruitment of seasonal colleagues for the Christmas season has commenced.



Summary

- Strong performance through HY24.
- Good strategic progress on our key foundations for growth through delivery of our 'Opening Our New Future' strategy.
- Value and quality proposition and the strength of our store estate helping cardfactory drive growth.
- Mindful of challenging economic backdrop but confident the celebration occasions market remains resilient with growth opportunities for our business.
- Strong cash generation continued through HY24.



Confident outlook for continued strategic and financial progress

- Based on strength of first half and the outlook for the second half, the Board is confident in delivering a good outturn for the full year.
- Trading since August 2023 update has been in line with Board's expectations.
- The Board is positive about the long-term prospects for cardfactory.
- Confident in the targets outlined at our Capital Markets Strategy Update in May.



Section 5

Q&A

Darcy Willson-Rymer & Matthias Seeger



cardfactory

celebrate all life's moments

