

**cardfactory**

# Creating celebrations for all life's moments

Card Factory plc  
FY24 Full Year results

30 April 2024



# Agenda

**Introduction**

**Darcy Willson-Rymer**

**Financial Performance**

**Matthias Seeger**

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**Darcy Willson-Rymer**

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**Darcy Willson-Rymer**

**Q&A**

**Darcy Willson-Rymer &  
Matthias Seeger**



Section 1

# Introduction

Darcy Willson-Rymer, CEO





# Positive momentum driving strong performance in FY24

- Continued **positive momentum** across the business driving revenue and profit growth.
- Strong performance in **stores** underlines **strategic role** in our omnichannel ambition.
- Strategy delivering **positive outcomes** across all building blocks of growth.
- Cultural progress and **new sustainability strategy** launched.
- Further **strengthening** of the **balance sheet** with reduction in net debt.
- Updated Capital Allocation Policy in place and **resumption of dividend**.



Section 2

# Financial Performance

Matthias Seeger



# FY24 financial highlights

**Double-digit revenue growth**

**Significant PBT improvement**

**Investment in future growth**

**Reduction in net debt**

**Reinstatement of dividend**

# Strong financial performance in FY24

**Revenue**  
**£510.9m**

(FY23: £463.4m)

↑ +10.3%

**Adjusted PBT**  
**£62.1m**

(FY23: £48.9m)

↑ +27.0%

**Adjusted EPS**  
**13.5 pence**

(FY23: 12.1 pence)

↑ +1.4 pence

**Cash from Operations**  
**£118.7m**

(FY23: £107.8m)

↑ +10.1%

**Net Debt**  
**£34.4m**

(FY23: £57.2m)

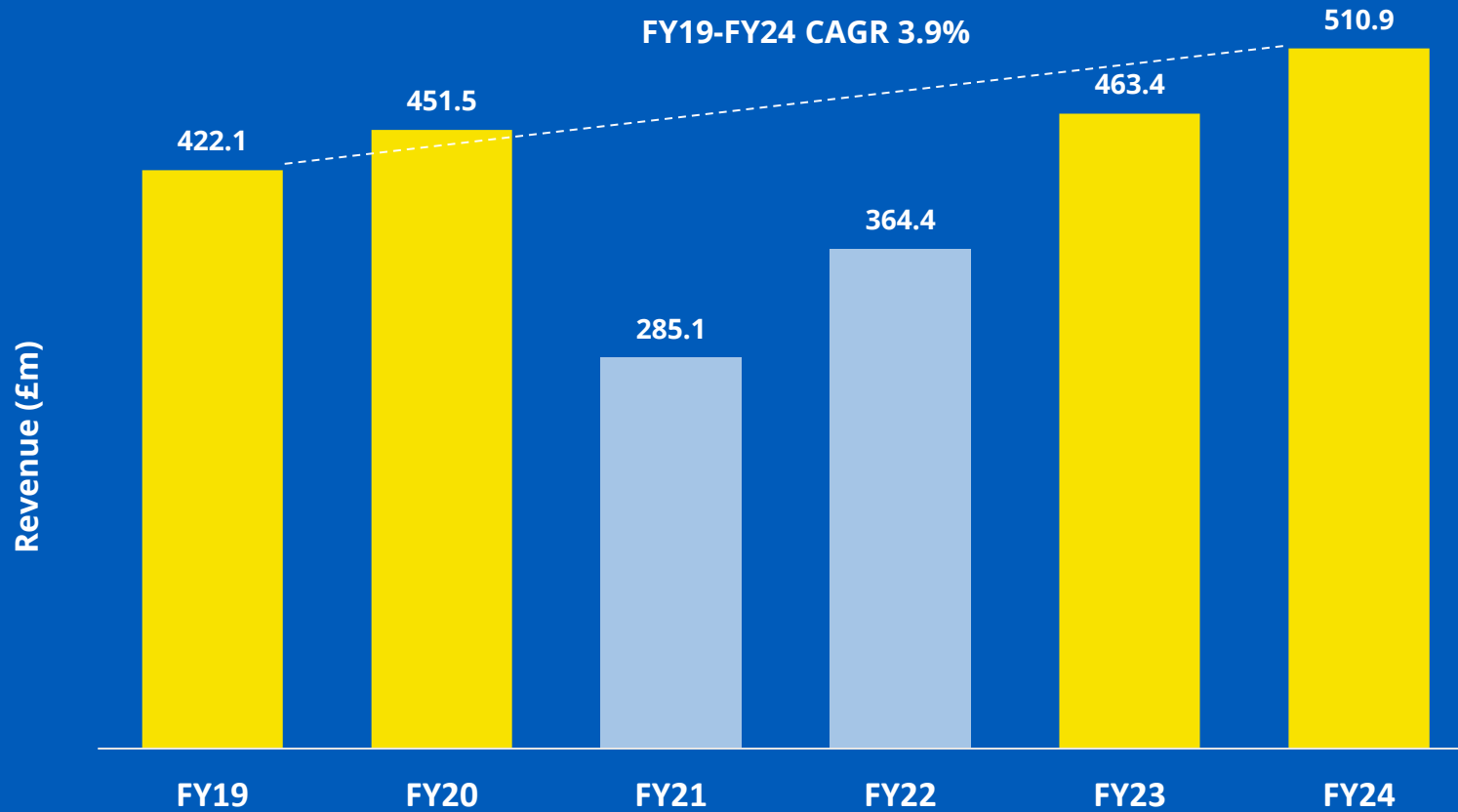
↓ -39.9%

**DPS**  
**4.5 pence**

(FY23: 0.0 pence)

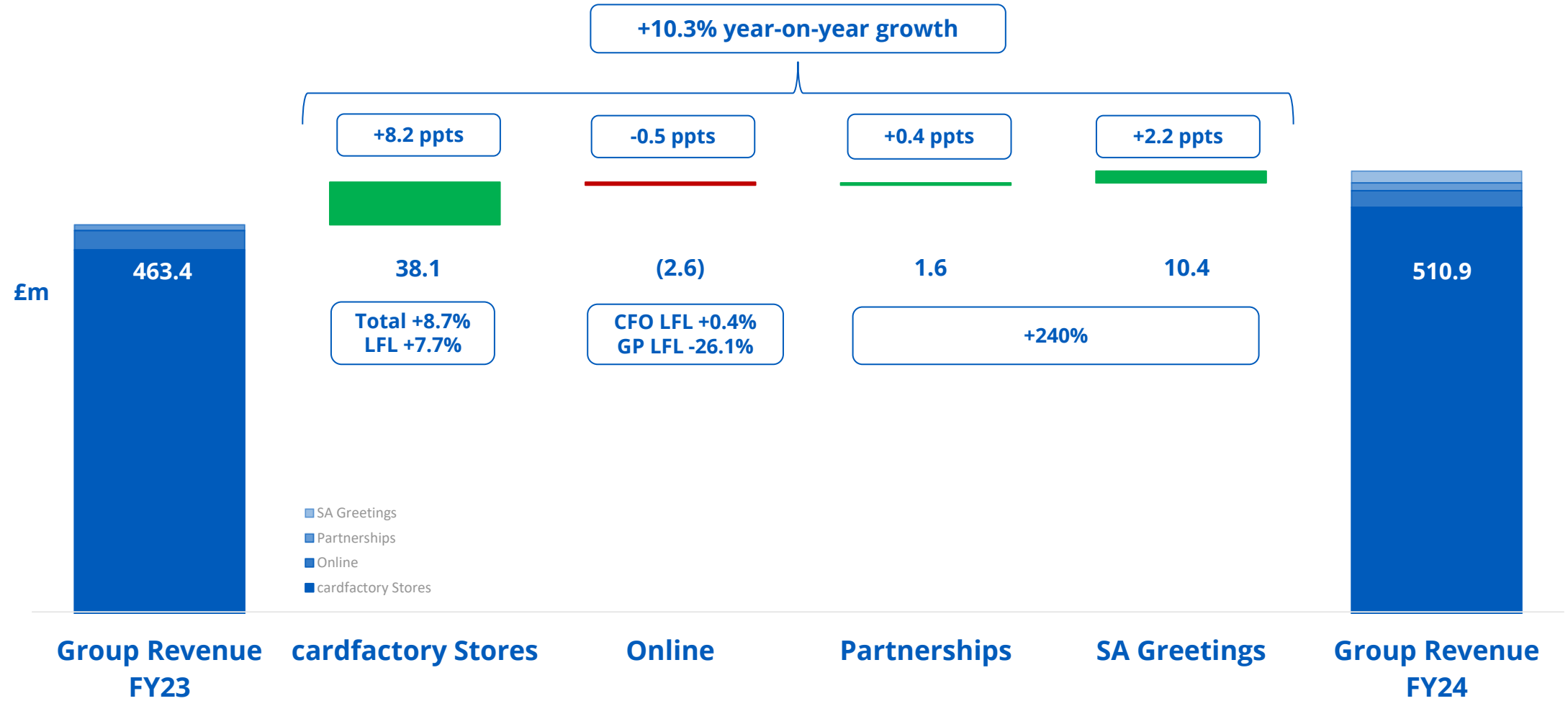
↑ +4.5 pence

# Track record of underlying continuous growth



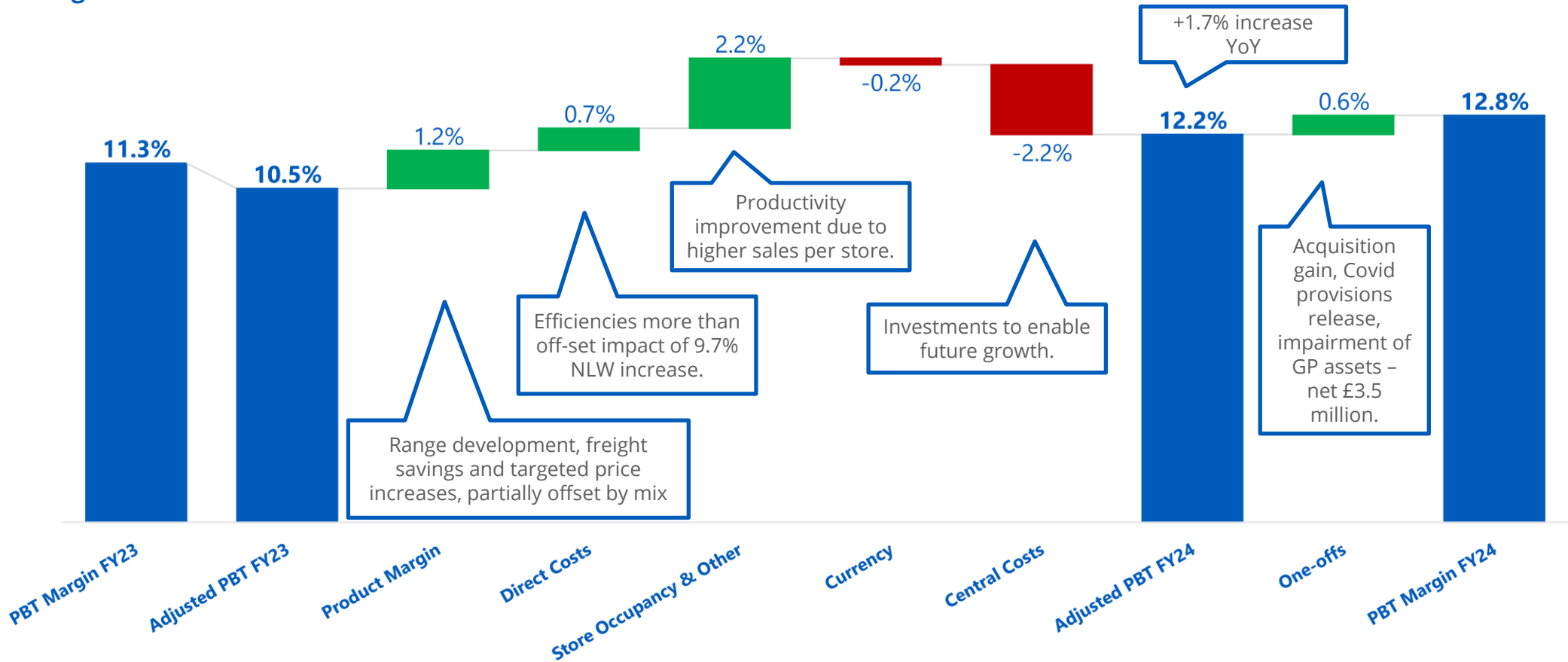


# Double-digit top line growth driven by strong LFL sales



# Improved margins balanced with investments in future growth

Margin %



## Significant PBT growth vs FY23

	<b>FY24</b>	<b>FY23</b>	<b>Change</b>
Revenue	<b>£510.9m</b>	£463.4m	£47.5m
Product Margin	<b>£355.6m</b>	£318.1m	37.5
Product Margin %	<b>69.6%</b>	68.6%	1.0 pts
Gross Profit	<b>£184.9m</b>	£160.7m	£24.2m
Gross Margin %	<b>36.2%</b>	34.7%	1.5 pts
Profit Before Tax (PBT)	<b>£65.6m</b>	£52.4m	£13.2m
PBT Margin %	<b>12.8%</b>	11.3%	1.5 pts
<b>Adjusted PBT</b>	<b>£62.1m</b>	<b>£48.9m</b>	£13.2m
<b>Adjusted PBT Margin %</b>	<b>12.2%</b>	<b>10.5%</b>	1.7 pts
<b>Adjusted EPS</b>	<b>13.5p</b>	<b>12.1p</b>	<b>1.4p</b>

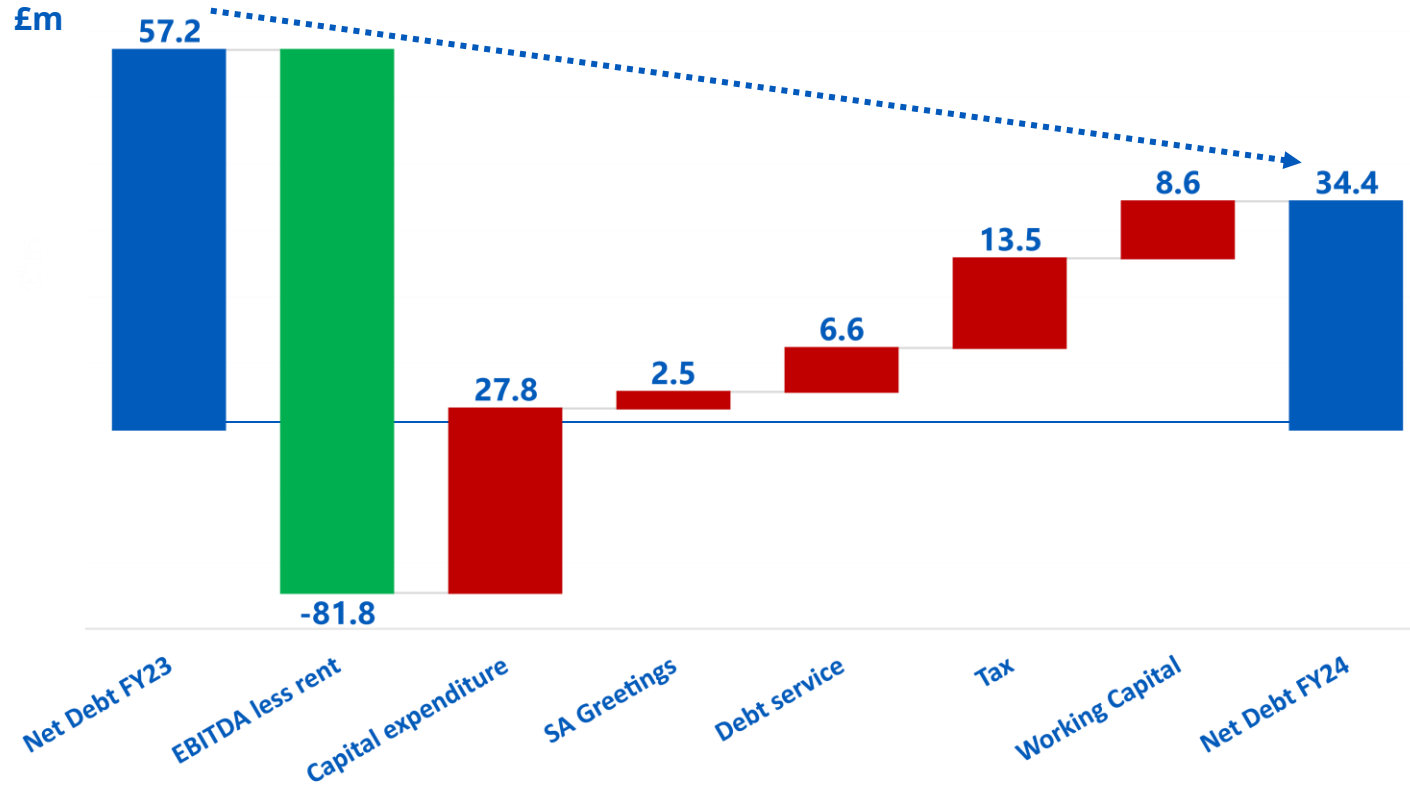
- Adjusted PBT increased by +27.0% to £62.1m driven by revenue growth of +10.3% and margin improvement of 1.7 pts.
- Product margins of 69.6% enhanced 1.0 pts reflecting annualisation of FY23 price increases, lower inventory cost and reductions in international freight costs, partially offset by the impact of higher non-card sales and currency.
- Gross margin of 36.2% improved by 1.5 pts driven by operational efficiencies that more than offset wage increases.
- Adjusted EPS of 13.5p increased by 11.6%.

## Strong cash generation enables £30 million investments in future growth

	FY24	FY23	Change
<b>EBITDA</b>	<b>£122.6m</b>	<b>£112.0m</b>	<b>£10.6m</b>
<b>Cash from Operations</b>	<b>£118.7m</b>	<b>£107.8m</b>	<b>£10.9m</b>
Corporation Tax	(£13.5m)	(£7.9m)	(£5.6m)
Capital Expenditure	(£27.8m)	(£18.2m)	(£9.6m)
Lease Payments (Rent)	(£43.7m)	(£57.0m)	£13.3m
Finance Costs	(£6.6m)	(£8.0m)	£1.4m
<b>Free Cash Flow</b>	<b>£27.1m</b>	<b>£16.7m</b>	<b>£10.4m</b>
Net Change in borrowings	(£23.6m)	(£45.1m)	£21.5m
Acquisition of SA Greetings	(£2.5m)	-	(£2.5m)
Other	£0.2m	-	£0.2m
<b>Net Cash Flow</b>	<b>£1.2m</b>	<b>(£28.4m)</b>	<b>£29.6m</b>
<b>Operating Cash Conversion</b>	<b>96.8%</b>	<b>96.3%</b>	<b>0.5 ppts</b>
<b>Free Cash per Share</b>	<b>7.9p</b>	<b>4.9p</b>	<b>3.0p</b>

- Significantly improved year-on-year cash generation.
- Strong, normalised operating cash performance:
  - Normalised rent payments.
  - Normalised working capital post-pandemic.
  - Normalised tax payments increased in line with profitability.
- Continued reduction of debt towards target levels.
- Investment for future growth; £27.8 million capital expenditure in infrastructure and growth plus acquisition of SA Greetings.
- Free cash of £27.1 million after investments to deliver future strategy.

# Strengthened balance sheet: De-leveraging and £23m reduction in net debt



## Refinancing completed in April 2024

- £125 million RCF with £75 million accordion option.
- Initial term to April 2028 with extension options to November 2029.
- Competitive margin grid and reduction in overall cost.



# Capital Allocation Policy: A balanced, progressive, sustainable approach

- **Balanced delivery** of sustainable, long-term growth in shareholder value and progressive cash returns to shareholders.
- Transparent, systemic and **disciplined use of cash**.
- Priority to **maintain strong balance sheet** and **invest in business plans** to deliver strategy.
- Return cash to shareholders in a disciplined way through a regular, **progressive dividend** and use of surplus cash.

## Maintain a strong balance sheet

*Maximum Adjusted Leverage of 1.5x*

## Invest to deliver the strategy

*Deliver business plans; investments to accelerate business progress need to deliver attractive returns*

## Regular, progressive returns to shareholders

*Dividend cover between 2-3x  
Interim (25%) and final (75%) dividends*

## Disciplined use of surplus cash

*Total returns will not exceed free cash*

Adjusted Leverage is calculated as Net Debt (excluding lease liabilities) divided by EBITDA (after deducting lease-related costs)  
Maximum Adjusted Leverage of 1.5x throughout the financial year

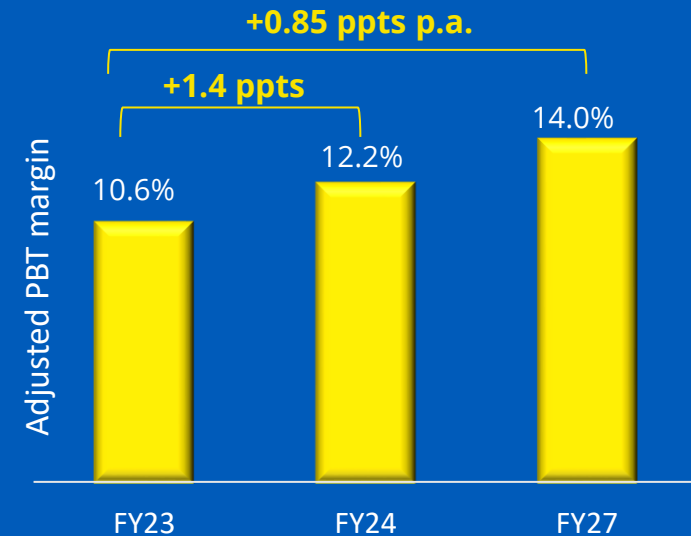
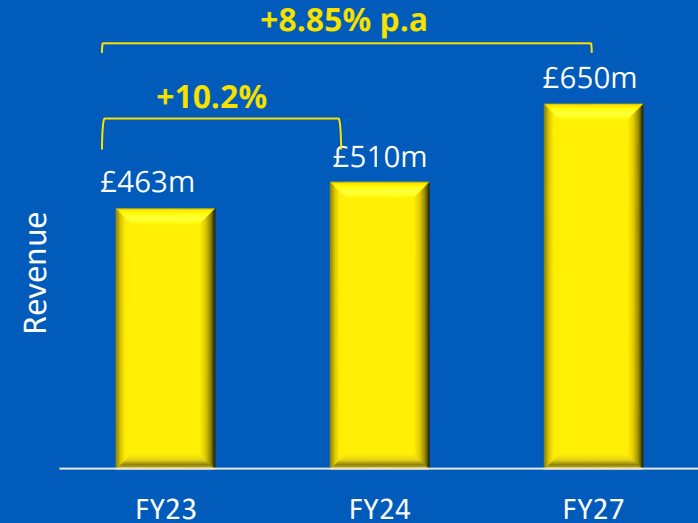
## Cash returns to shareholders for FY24

- Commencement of ordinary dividend for FY24 following cessation of restrictions and strong cash generation.
- Ordinary dividend comprises interim and final dividends.
- Board will recommend a final dividend of 4.5p per share equivalent to £15.5 million - an amount which would have been split between interim and final dividend.
- Dividend Cover of 3x Adjusted EPS.
- If approved by the shareholders at the AGM, the dividend will be paid on 28 June 2024 with a record date of 31 May 2024.



# Delivering shareholder value through strong performance

- Strong set of financial results underpinned by the strength of our commercial offer, our business operations and growth across strategic focus areas.
- Strong top line sales growth and margin improvement drove significant PBT growth.
- Strong operating cash flows and new funding platform creating capacity to invest for growth and reduction in net debt.
- Ordinary dividend for FY24 of 4.5 pence.
- Delivering against strategic targets set out in May 2023.



Section 3

# Strategy Update

Darcy Willson-Rymer



# Strategic growth pillars

## Stores:

Leverage and grow profitable store estate



## Card, Gifts & Celebration Essentials:

£13.4bn UK Celebration Occasions addressable market



## Online & Omnichannel:

Deliver a seamless celebration experience



## Partnerships:

£80bn international market opportunity





## Positive impact of strategic initiatives: Stores

- Continued active and efficient management of profitable store portfolio.
- **+26 net new stores**, remain on track to deliver 90 new stores over the course of the five-year plan to FY27.
- **Impactful space realignment** project as part of the store evolution programme.
- Successful rollout of new customer service excellence programme, **'The cardfactory Way'**, for all store colleagues.

### FY25 priorities:

- Continue **new store openings** programme with updated store format and design, following success of store evolution programme.
- Further expansion into **underpenetrated markets**, including central London and Republic of Ireland.
- **Q1 opening** in central London implementing learnings on range, layout and location.



## Positive impact of strategic initiatives: Cards and gifts

- **Range development** and innovation to broaden customer appeal and price points contributed to LFL growth in **card of +4.8%**.
- **Expanded ranges** drove strong LFL growth in **gifts +15.8%** and **celebration essentials +6.7%**.
- Successful implementation of **card price** architecture maintained our long-standing value-for-money credentials and low entry price points.

### FY25 priorities:

- Grow card market authority through range development and curation, including **tailored ranges** by regions and demographics.
- Expansion of key categories including baby gifting and stationery, alongside **further space optimisation for growth ranges** such as pet gifting.



## Positive impact of strategic initiatives: Omnichannel and Online

- Successful **nationwide rollout of Click & Collect** service completed in April 2024 with in-store collection representing 7.8% of all Online orders.
- Customer omnichannel **order to collection lead times reduced** from 3-5 days at rollout to 1-2 days on average by September 2023.
- **Completed replatforming** of cardfactory.co.uk and gettingpersonal.co.uk to enable benefits of using consistent systems, tools and processes.

### FY25 priorities:

- Further develop **omnichannel capabilities**.
- Continued online **range expansion** with focus on personalised card and gift ranges.





## Positive progress of strategic initiatives: Partnerships

- **First four** International franchise stores opened in Abu Dhabi and Dubai
- Plans to open around **36 Stores** in total over next four years.
- **Positive customer response** with focus on gift and celebration essentials.
- Rollout across **all 223 UK Matalan stores** completed in December 2023.
- **Acquisition of South African-based SA Greetings** completed in April 2023, supporting our partnership strategy in the region.

### FY25 priorities:

- **Progress positive discussions** with new prospective partners in the UK and our identified International markets of interest.
- **Optimise** partnership in the Middle East.



# Our approach to sustainability



## This Moment

Delivering a sustainable future



### Climate

We will play our part in tackling the climate crisis, and adapt our business to achieve Net Zero and remain resilient.



### Waste and Circularity

We will continue our journey to become a circular business by redesigning products and packaging, using fewer materials, and finding new ways to increase recycling, recovery, and re-use of our products.



### Protecting Nature

We will operate in a way that reduces harm to our planet and helps restore our natural environment.



### People and Equity

We will actively champion the wellbeing of everyone within our business, supply chain and communities by creating an environment that allows them to thrive.



### Governance

We will operate with transparency and integrity, embedding sustainability in everything we do.



Section 4

# Summary & Outlook

Darcy Willson-Rymer



# Summary of FY24

- **Strong** performance through FY24.
- Investments in strategy delivering **positive outcomes** across **building blocks of growth**.
- Our value and quality proposition and strength of our store estate continue to drive growth and **provide a competitive advantage**.
- Celebrations occasions **market remains resilient** and our offer is resonating with customers seeking value for money to celebrate all life's moments.
- **Strong cash generation** and reduction in net debt has further **strengthened the balance sheet**.
- Updated Capital Allocation Policy in place and **resumption of dividends**.



## Confident outlook for FY25

- The Board remains **confident in the long-term compelling growth opportunity** and in our ability to deliver on the FY27 target.
- Expect to continue to make **good strategic progress** towards our ambitions in FY25.
- Trading since the start of the new financial year has been **in line with Board's expectations** and **good momentum** has continued across FY25 Spring seasons.
- As anticipated, **PBT growth in FY25** expected to be weighted toward the second half of the year due to the phasing of planned investment and inflationary recovery actions.
- Through the course of the year, **expect to manage overall inflationary environment** through ongoing improvements in efficiencies and productivity and by leveraging our vertically integrated business model.
- Consequently, **expectations for FY25 remain unchanged.**



**cardfactory**

*celebrate all life's moments*

