

AIM: CFX
17 August 2022

COLEFAX GROUP PLC
("Colefax" or the "Group")

Preliminary Results for the year ended 30 April 2022

Colefax is an international designer and distributor of furnishing fabrics & wallpapers and owns a leading interior decorating business. The Group trades under five brand names, serving different segments of the soft furnishings marketplace; these are Colefax and Fowler, Cowtan & Tout, Jane Churchill, Manuel Canovas and Larsen.

Key Points

- Record sales and profits for the year reflecting favourable market conditions especially in the US and the UK
- Sales increased by 31% to £101.80m (2021 - £77.91m) and by 33% on a constant currency basis
- Pre-tax profit increased by 100% to £10.82m (2021 - £5.42m) – reflecting operational gearing in the Fabric Division sales and an exceptional performance by the Decorating Division
- Earnings per share increased by 127% to 102.5p (2021 – 45.1p)
- Tender Offer and share buyback returned £6.7 million of surplus capital to shareholders in September 2021
- Cash at 30 April 2022 increased to £21.8m (2021 - £19.3m)
- Fabric Division sales increased by 21.5% to £84.51m (2021 - £69.58m) and by 23.7% on a constant currency basis
 - US sales up by 25%, UK sales up by 33% and Europe sales up by 14% (on a constant currency basis)
- Decorating Division sales increased by 152% to £14.63m (2021 - £5.79m) partly due to the completion of projects delayed from the prior year. Pre-tax profit of £1.48 million (2021 - £680,000 loss)
- Board is proposing a final dividend of 2.7p (2021 Nil) making a total for the year of 5.2p (2021- Nil)

David Green, Chief Executive of Colefax Group plc, said:

“Over the past year we have benefitted from the very strong housing market conditions which emerged after the first lockdowns in 2020 and this is the main reason for the Group’s record results for the year ended April 30 2022.

“Rising interest rates and high levels of inflation have already started to slow housing market activity and we are therefore cautious about prospects for the coming year especially as we tend to lag changes in the housing market. We are also experiencing high levels of cost inflation especially from our fabric suppliers whose manufacturing operations are being impacted by large increases in energy and raw materials costs. Against this backdrop we believe it is unrealistic to expect continued sales growth in the current year especially against such strong prior year comparatives. The fact that the Group operates at the premium end of the market should provide some protection from high levels of inflation. In addition

we are benefitting from the recent strengthening of the US Dollar as over 60% of our Fabric Division revenues are in the US. The Group has a very strong balance sheet including cash in excess of £21 million and is well placed to deal with more challenging trading conditions”

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COLEFAX GROUP PLC

CHAIRMAN'S STATEMENT

Financial Results

I am pleased to report record sales and profits for the year ended 30 April 2022. Group sales increased by 30.8% to £101.80 million (2021 - £77.91 million) and by 32.8% on a constant currency basis. Pre-tax profits increased by 100% to £10.82 million (2021 - £5.42 million). Earnings per share increased by 127% to 102.5p (2021 - 45.1p). The Group ended the year with net cash of £21.8 million (2021 - £19.3 million).

The Group's performance over the last year has been exceptional and reflects extremely favourable market conditions in the US and the UK. One of the consequences of the pandemic was a surge in housing transactions and home related spending and this has been the main driver of our business over the last financial year. The 100% increase in Group profit relative to a 30.8% increase in Group sales is a reflection of the high level of operational gearing in our core Fabric Division. In addition our Decorating Division delivered an exceptional performance as projects delayed by the pandemic were completed during the year.

In September 2021 the Group returned £6.7 million of surplus cash to shareholders by way of a Tender Offer and share buyback. The Group purchased and cancelled 1,084,905 shares representing 12% of the issued ordinary share capital at a price of 615p per share.

The Board is proposing to pay a final dividend of 2.7p (2021-nil) making a total for the year of 5.2p (2021 – nil). This will be paid on 13 October 2022 to shareholders on the register at the close of business on 16 September 2022

Product Division

- **Fabric Division – Portfolio of Five Brands:** *“Colefax and Fowler”, “Cowtan and Tout”, “Jane Churchill”, “Manuel Canovas” and “Larsen”*

Sales in the Fabric Division, which represent 83% of Group turnover, increased by 21.5% to £84.51 million (2021 - £69.58 million) and by 23.7% on a constant currency basis. Pre-tax profit increased by 60% to £9.29 million (2021 - £5.81 million). In the first half of the prior year, sales were adversely impacted by the pandemic but recovered strongly in the second half and this sales momentum continued throughout the current year. Compared to 2018-19, which was the last normal year of sales prior to the pandemic, sales in 2021-22 were up by 22.2% on a constant currency basis clearly demonstrating the strength of home spending during the year. Fabric Division profits are highly operationally geared and therefore sensitive to relatively small changes in sales. This is the main reason for the record profits achieved during the year.

Sales in the US, which represent 62% of the Fabric Division's turnover, increased by 23% and by 25% on a constant currency basis. The strong sales performance was broad based with all major territories performing well and reflects the most favourable US housing market conditions since 2006. Last year we simplified our US business by moving the majority of our warehouse operations to the UK and this has increased our sales focus and improved efficiency. Our US business is responsible for sales in Canada and we have recently signed a lease for a showroom in Toronto to capitalise on sales opportunities in this market.

Sales in the UK, which represent 18% of the Fabric Division's turnover, increased by 33%. As with the US market we attribute this exceptional increase to very strong housing market conditions throughout 2021 and increased spending on existing homes at a time when alternative spending opportunities such as travel were significantly curtailed by pandemic restrictions. Trading in the first half of the prior year was adversely affected by the initial pandemic lockdowns and part of the sales increase in the current

financial year is likely to be catch-up expenditure deferred from that time.

Sales in Continental Europe, which represent 18% of the Fabric Division's turnover, increased by 10% and by 14% on a constant currency basis. This is the first full year of sales since Brexit in January 2021 and whilst we do not believe it has had an adverse impact on sales it has significantly increased the cost and complexity of doing business in Europe. The European economy is less focussed on the residential housing market than the US and the UK, and we believe this is the main reason for the slower growth rate. Our three largest markets in Europe are France, Germany and Italy and together these account for approximately 45% of total sales. From June 2022 we have started selling direct to trade customers in Spain rather than via a distributor and we expect this change to have a beneficial impact on sales in this market.

Sales in the Rest of the World, which represent just 2% of the Fabric Division's turnover, increased by 3% during the year reflecting relatively challenging market conditions caused by the pandemic. Our major markets in the Rest of the World are the Middle East, China and Australia and whilst there are growth opportunities in specific countries, the Rest of the World is expected to remain a small proportion of total Fabric Division sales.

- **Furniture – Kingcome Sofas**

Sales of Kingcome furniture, which represent 3% of Product Division sales, increased by 5% to £2.66 million (2021 - £2.54 million). Pre-tax profit decreased by 72% to £80,000 (2021 - £288,000) reflecting significant increases in the cost of raw materials and energy and some one-off marketing and website costs during the year. The order book ended the year close to record levels and up by 116% compared to the start of the year when the showroom had only just reopened from lockdown. Factory production remains challenging due to labour and materials shortages and lead times have increased. We have just started a major investment in our freehold factory in Devon which will increase capacity and improve productivity and energy efficiency.

Interior Decorating Division

Decorating sales, which represent 14% of Group turnover, increased by 152% to £14.63 million (2021 - £5.79 million) resulting in a pre-tax profit for the year of £1.47 million (2021 - £680,000 loss). The profit on decorating projects is recognised on invoicing and can fluctuate significantly depending on the timing of completion of projects. During the first year of the pandemic progress on projects was severely curtailed by lockdowns and travel restrictions and the exceptional performance for the year partly reflects the completion of projects delayed by the pandemic, This included one very large UK project and as result the Decorating Division is expected to return to more normal levels of activity.

Prospects

The performance of the Group is closely linked to the high-end housing market especially in the US and the UK. Over the past year we have benefitted from the very strong housing market conditions that emerged after the first lockdowns in 2020 and this is the main reason for the Group's record results for the year ended April 30 2022. Rising interest rates and high levels of inflation have already started to slow housing market activity and we are therefore cautious about prospects for the coming year especially as we tend to lag changes in the housing market. We are also experiencing high levels of cost inflation especially from our fabric suppliers whose manufacturing operations are being impacted by exceptional increases in energy and raw materials costs. Against this backdrop we believe it is unrealistic to expect sales growth in the current year, especially against such strong prior year comparatives. The fact that the Group operates at the premium end of the market should provide some protection from high levels of inflation. In addition we are benefitting from the recent strengthening of the US Dollar as over 60% of our Fabric Division revenues are in the US. The Group has a very strong balance sheet including cash in excess of £21 million and is well placed to deal with more challenging trading conditions.

The Group's record performance over the last year is a reflection of exceptionally favourable market conditions but also the talent and dedication of our loyal and extremely hard working staff. I would like to thank them for their contribution to our performance and for their resilience in a challenging operational environment.

David Green
Chairman

17 August 2022

GROUP INCOME STATEMENT

For the year ended 30 April 2022

	2022	2021
	£'000	£'000
Revenue	101,796	77,908
Cost of sales	(47,237)	(33,971)
Gross profit	54,559	43,937
Operating expenses	(42,665)	(38,910)
Other income	-	1,462
Profit from operations	11,894	6,489
Finance expense	(1,071)	(1,067)
Profit before taxation	10,823	5,422
Tax expense	(2,330)	(1,376)
Profit for the year attributable to equity holders of the parent	8,493	4,046
Basic and diluted earnings per share	102.5p	45.1p

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 April 2022

	2022 £'000	2021 £'000
Profit for the year	8,493	4,046
Other comprehensive income / (expense):		
Items that will or may be reclassified to profit and loss:		
Exchange differences on translation of foreign operations	522	(1,251)
Tax relating to items that will or may be reclassified to profit and loss	-	103
Total other comprehensive income / (expense)	522	(1,148)
Total comprehensive income for the year attributable to equity holders of the parent	9,015	2,898

GROUP STATEMENT OF FINANCIAL POSITION

At 30 April 2022

	Notes	2022 £'000	2021 £'000
Non-current assets:			
Property, plant and equipment		7,423	7,029
Right of use asset		25,621	28,506
Deferred tax asset		22	35
		33,066	35,570
Current assets:			
Inventories and work in progress	2	17,031	16,025
Trade and other receivables	3	6,976	8,631
Cash and cash equivalents	4	21,785	19,344
Current corporation tax		115	513
		45,907	44,513
Current liabilities:			
Trade and other payables	5	17,582	18,343
Lease liabilities		4,176	3,992
		21,758	22,335
Net current assets		24,149	22,178
Total assets less current liabilities		57,215	57,748
Non-current liabilities:			
Lease liabilities		23,807	26,323
Deferred tax liability		261	317
Net assets		33,147	31,108
Capital and reserves attributable to equity holders of the Company:			
Called up share capital		794	902
Share premium account		11,148	11,148
Capital redemption reserve		2,080	1,972
ESOP share reserve		(113)	(113)
Foreign exchange reserve		1,712	1,190
Retained earnings		17,526	16,009
Total equity		33,147	31,108

GROUP STATEMENT OF CASH FLOWS

For the year ended 30 April 2022

	2022 £'000	2021 £'000
Operating activities		
Profit before taxation	10,823	5,422
Finance expense	1,071	1,067
Profit on disposal of property, plant and equipment	(9)	(30)
Non-cash movement arising from loan waiver	-	(922)
Depreciation	2,274	2,912
Rent concessions	-	(77)
Impairment of right of use asset	-	312
Depreciation on right of use assets	4,609	4,329
Cash flows from operations before changes in working capital	18,768	13,013
Increase in inventories and work in progress	(898)	(678)
(Increase) / decrease in trade and other receivables	1,789	(2,366)
Increase / (decrease) in trade and other payables	(1,736)	7,378
Cash generated from operations	17,923	17,347
Taxation paid		
UK corporation tax paid	(1,595)	(224)
Overseas tax paid	(488)	(877)
	(2,083)	(1,101)
Net cash inflow from operating activities	15,840	16,246
Investing activities		
Payments to acquire property, plant and equipment	(2,255)	(1,888)
Receipts from sales of property, plant and equipment	13	34
Interest received	-	-
Net cash outflow from investing	(2,242)	(1,854)
Financing activities		
Purchase of own shares	(6,779)	-
Principal paid on lease liabilities	(4,061)	(4,853)
Interest paid on lease liabilities	(1,073)	(1,061)
Interest paid	3	(6)
Equity dividends paid	(197)	-
Net cash outflow from financing	(12,107)	(5,920)
Net increase in cash and cash equivalents	1,491	8,472
Cash and cash equivalents at beginning of year	19,344	11,538
Exchange gains/(losses) on cash and cash equivalents	950	(666)
Cash and cash equivalents at end of year	21,785	19,344

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2022

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	ESOP share reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
At 30 April 2021	902	11,148	1,972	(113)	1,190	16,009	31,108
Profit for the year	-	-	-	-	-	8,493	8,493
Foreign exchange	-	-	-	-	522	-	522
Tax on other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	522	8,493	9,015
Share buybacks	(108)	-	108	-	-	(6,779)	(6,779)
Dividends paid	-	-	-	-	-	(197)	(197)
At 30 April 2022	794	11,148	2,080	(113)	1,712	17,526	33,147
At 30 April 2020	902	11,148	1,972	(113)	2,338	11,963	28,210
Profit for the year	-	-	-	-	-	4,046	4,046
Foreign exchange	-	-	-	-	(1,251)	-	(1,251)
Tax on other comprehensive income	-	-	-	-	103	-	103
Total comprehensive income for the year	-	-	-	-	(1,148)	4,046	2,898
At 30 April 2021	902	11,148	1,972	(113)	1,190	16,009	31,108

COLEFAX GROUP PLC

NOTES TO THE FINANCIAL INFORMATION

1. Earnings per share

Basic earnings per share have been calculated on the basis of profit on ordinary activities after tax of £8,493,000 (2021 – £4,046,000) and on 8,284,746 (2021 – 8,962,440) ordinary shares, being the weighted average number of ordinary shares in issue during the year. Shares owned by the Colefax Group Plc Employees' Share Ownership Plan (ESOP) Trust are excluded from the basic earnings per share calculation.

Diluted earnings per share are the same as basic earnings per share as there are no outstanding share options in force at 30 April 2022.

2. Inventories and work in progress

	2022 £'000	2021 £'000
Finished goods for resale	14,961	12,982
Work in progress	2,070	3,043
	<u>17,031</u>	<u>16,025</u>

3. Trade and other receivables

	2022 £'000	2021 £'000
Trade receivables	5,096	5,216
Less: provision for impairment of trade receivables	(374)	(348)
Other receivables	607	2,558
Prepayments and accrued income	1,647	1,205
	<u>6,976</u>	<u>8,631</u>

4. Cash and cash equivalents

	2022 £'000	2021 £'000
Cash at bank and in hand	21,785	19,344

The fair value of cash and cash equivalents are considered to be their book value.

5. Trade and other payables

	2022 £'000	2021 £'000
Trade payables	5,933	4,718
Accruals	6,402	5,890
Payments received on account	3,360	6,004
Other taxes and social security costs	704	559
Other payables	1,183	1,172
	<u>17,582</u>	<u>18,343</u>

6. Financial Information

The above financial information, which has been prepared in accordance with international accounting standards in conformity with the Companies Act 2006, does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006.

The financial information for the year ended 30 April 2022 has been extracted from the statutory accounts which will be delivered to the Registrar of Companies following the Company's annual general meeting. The comparative financial information is based on the statutory accounts for the financial year ended 30 April 2021 which have been delivered to the Registrar of Companies. The Independent Auditors' Report on both of those financial statements was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Section 498(2) and Section 498(3) of the Companies Act 2006.

7. Copies of the Annual Report and full Financial Statements will be posted to shareholders during the week commencing 22 August and will be available from the Group's website on www.colefaxgroupplc.com. Copies will also be made available on request to members of the public at the Company's registered office at 19-23 Grosvenor Hill, London W1K 3QD.