

AIM: CFX
31 July 2024

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

Preliminary Results for the year ended 30 April 2024

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

- Sales increased by 2% to £107.16m (2023 - £104.82m) and by 4.8% on a constant currency basis
- Pre-tax profit decreased by 10% to £7.73m (2023 - £8.54m) – mainly due to higher Fabric Division operating costs and a weaker US Dollar exchange rate
- Earnings per share decreased by 1.6% to 88.3p (2023 – 89.7p)
- Share buyback returned £7.2m of surplus capital to shareholders in September 2023
- Cash at 30 April 2024 of £17.8m (2023 - £19.8m)
- Fabric Division sales decreased by 2.1% to £90.54m (2023 - £92.51m) but increased by 0.6% on a constant currency basis
 - US sales down by 3%, UK sales up by 3% and Europe sales up by 8% (on a constant currency basis)
- Decorating Division delivered a strong performance with sales up by 42% to £13.51m (2023 - £9.52m) and pre-tax profit of £847,000 (2023 - £96,000 loss)
- Board is proposing a final dividend of 2.9p (2023 2.8p) making a total for the year of 5.6p (2023 - 5.4p)

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

"The Group has delivered a good performance in relatively challenging market conditions and with a weaker US Dollar exchange rate. Over the last year higher interest rates have reduced housing market activity and we are expecting difficult market conditions in the year ahead and this is reflected in our existing market forecast. The Group is well placed to benefit from falling interest rates as this should boost housing market activity but it will take time for this benefit to feed through to home spending."

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COLEFAX GROUP PLC

CHAIRMAN'S STATEMENT

Financial Results

Group sales increased by 2% to £107.16 million (2023 - £104.82 million) and by 4.8% on a constant currency basis. Pre-tax profits decreased by 10% to £7.73 million (2023 - £8.54 million). Earnings per share decreased by 1.6% to 88.3p (2023 - 89.7p) reflecting the benefit of share buybacks during the year. The Group ended the year with net cash of £17.8 million (2023 - £19.8 million).

Sales in the Group's core Fabric Division increased by 0.6% on a constant currency basis reflecting relatively challenging trading conditions in the Group's major markets. The sales increase was not sufficient to offset the impact of higher operating costs during the year and as a result Fabric Division profit declined by 23% to £6.47 million (2023 - £8.40 million). This decline was partly offset by a strong performance by the Decorating Division which made a profit of £848,000 compared to a loss of £96,000 last year.

In September 2023 the Group returned £7.2 million of surplus cash to shareholders by way of a share buyback in the form of a tender offer. The Group purchased and cancelled 1,013,254 shares representing 14.0% of the issued ordinary share capital at a price of £7.00 per share.

The Board is proposing to pay a final dividend of 2.9p (2023 – 2.8p) making a total for the year of 5.6p (2023 – 5.4p). This will be paid on 11 October 2024 to shareholders on the register at the close of business on 13 September 2024.

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 84% of Group turnover, decreased by 2.1% to £90.54 million (2023 - £92.51 million) but increased by 0.6% on a constant currency basis. Pre-tax profit decreased by 23% to £6.47 million (2023 - £8.40 million) due to higher operating costs and a weaker US Dollar which averaged \$1.26 compared to \$1.20 for the prior year. The US Dollar exchange rate has a significant impact on profitability.

The Fabric Division's performance has been impacted by high interest rates and a slowdown in high end housing transactions. The fact that constant currency sales increased by 0.6% in these market conditions is considered a good performance.

Sales in the US, which represent 60% of the Fabric Division's turnover, decreased by 7% and by 3% on a constant currency basis. US sales have held up well and are only 3.8% below the record sales achieved at the height of the Covid related boom in 2021-22. During the year we continued to expand our showroom network in North America by opening new showrooms in Dallas and Toronto. Both showrooms opened in November 2023 and we believe there are good growth opportunities in these territories.

Sales in the UK, which represent 17% of the Fabric Division's turnover, increased by 3% against a record prior year comparative. This performance was above expectations at the start of the year and we believe it partly reflects a backlog of work arising from the high level of housing transactions during the Covid pandemic. Sales held up well throughout the year although first half sales were up by 4% and second half sales up by 2% pointing to a slowdown in activity.

Sales in Continental Europe, which represent 20% of the Fabric Division's turnover, increased by 7% and by 8% on a constant currency basis making Europe our best performing market during the year. The increase in sales was mainly due to an above average level of contract sales to luxury hotels which have experienced strong demand since the end of the pandemic. Our largest market in Europe is France followed by Germany and Italy and together these three countries account for just over 50% of European sales. Whilst the sales growth in Europe is encouraging, profitability continued to be adversely affected by the high level of import duty payable post Brexit. This amounted to £1.07 million during the year.

Sales in the Rest of the World, which represent just 3% of the Fabric Division's turnover, increased by 25% during the year. The increase was mainly due to a strong performance by the Middle East which is the largest region followed by Australia, China and Japan. For cost and efficiency reasons we mainly sell via distributors in the Rest of the World and as a result we expect the Rest of the World to remain a small proportion of overall Fabric Division sales.

- **Furniture – Kingcome Sofas**

Sales of Kingcome furniture, which represent 3% of Product Division sales, increased by 12% to £3.11 million (2023 - £2.78 million). Pre-tax profit increased by 75% to a record £419,000 (2023 - £240,000) demonstrating the high level of operational gearing in the business. Factory labour costs are relatively fixed meaning that even small fluctuations in sales can have a major impact on profitability. The performance during the year was exceptional and primarily due to a significant reduction in the outstanding order book between the start and end of the year. The actual order intake during the year was down by 14% reflecting challenging market conditions for furniture.

Interior Decorating Division

Decorating sales, which represent 13% of Group turnover, increased by 42% to £13.51 million (2023 - £9.52 million) resulting in a pre-tax profit of £847,000 (2023 - £96,000 loss). This was a strong performance boosted by an increase in overseas projects which reduced to almost zero during the Covid pandemic. Decorating Division profitability partly reflects the timing of project completions because profit on individual projects is recognised on invoicing and this can sometimes cause material fluctuations in Group profits. The Decorating Division has started the new financial year with a healthy level of deposits although they are down by 18% compared to a strong prior year comparative.

Prospects

The Group has delivered a good performance in relatively challenging market conditions and with a weaker US Dollar exchange rate. Over the last year higher interest rates have reduced housing market activity and we are expecting difficult market conditions in the year ahead and this is reflected in our existing market forecast. The Group is well placed to benefit from falling interest rates as this should boost housing market activity but it will take time for this benefit to feed through to home spending. The Group has a strong balance sheet with cash of £17.8 million and we will continue to invest with confidence in our brand portfolio and distribution network.

The Group's performance over the last year is due to the loyalty, talent and commitment of all our staff and I would like to thank them for their hard work and support.

David Green
Chairman
30 July 2024

GROUP INCOME STATEMENT

For the year ended 30 April 2024

	2024 £'000	2023 £'000
Revenue	107,162	104,818
Cost of sales	(47,134)	(45,085)
Gross profit	60,028	59,733
Operating expenses	(51,552)	(50,214)
Profit from operations	8,476	9,519
Finance income	173	26
Finance expense	(917)	(1,001)
Profit before taxation	7,732	8,544
Tax expense	(1,938)	(1,857)
Profit for the year attributable to equity holders of the parent	5,794	6,687
Basic and diluted earnings per share	88.3p	89.7p

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 April 2024

	2024	2023
	£'000	£'000
Profit for the year	5,794	6,687
Other comprehensive (expense):		
Items that will or may be reclassified to profit and loss:		
Exchange differences on translation of foreign operations	(429)	(93)
Total other comprehensive (expense)	(429)	(93)
Total comprehensive income for the year attributable to equity holders of the parent	5,365	6,594

GROUP STATEMENT OF FINANCIAL POSITION
At 30 April 2024

	Notes	2024 £'000	2023 £'000
Non-current assets:			
Property, plant and equipment		8,557	8,231
Right of use asset		20,612	23,464
Deferred tax asset		24	23
		<u>29,193</u>	<u>31,718</u>
Current assets:			
Inventories and work in progress	2	18,241	19,487
Trade and other receivables	3	8,774	9,153
Cash and cash equivalents	4	17,763	19,746
Current corporation tax		-	144
		<u>44,778</u>	<u>48,530</u>
Current liabilities:			
Trade and other payables	5	18,623	20,003
Lease liabilities		4,038	3,085
Current corporation tax		31	-
		<u>22,692</u>	<u>23,088</u>
Net current assets		<u>22,086</u>	<u>25,442</u>
Total assets less current liabilities		<u>51,279</u>	<u>57,160</u>
Non-current liabilities:			
Lease liabilities		19,380	22,977
Deferred tax liability		154	223
Net assets		<u>31,745</u>	<u>33,960</u>
Capital and reserves attributable to equity holders of the Company:			
Called up share capital		623	724
Share premium account		11,148	11,148
Capital redemption reserve		2,251	2,150
ESOP share reserve		(113)	(113)
Foreign exchange reserve		1,190	1,619
Retained earnings		16,646	18,432
Total equity		<u>31,745</u>	<u>33,960</u>

GROUP STATEMENT OF CASH FLOWS

For the year ended 30 April 2024

	2024	2023
	£'000	£'000
Operating activities		
Profit before taxation	7,732	8,544
Finance income	(173)	(26)
Finance expense	917	1,001
Loss/(Profit) on disposal of property, plant and equipment	38	47
Depreciation on right of use assets	4,350	4,952
Depreciation	2,625	2,748
Cash flows from operations before changes in working capital	15,489	17,266
Decrease / (Increase) in inventories and work in progress	1,244	(2,462)
Decrease / (Increase) in trade and other receivables	322	(2,099)
(Decrease)/ Increase in trade and other payables	(1,837)	2,239
Cash generated from operations	15,218	14,944
Taxation paid		
UK corporation tax paid	(1,021)	(699)
Overseas tax paid	(730)	(1,103)
	(1,751)	(1,802)
Net cash inflow from operating activities	13,467	13,142
Investing activities		
Payments to acquire property, plant and equipment	(2,991)	(3,580)
Interest received	173	-
Net cash outflow from investing	(2,818)	(3,580)
Financing activities		
Purchase of own shares	(7,227)	(5,382)
Principal paid on lease liabilities	(4,151)	(4,846)
Interest paid on lease liabilities	(916)	(999)
Interest paid	(1)	-
Equity dividends paid	(353)	(399)
Net cash outflow from financing	(12,648)	(11,626)
Net (decrease)/increase in cash and cash equivalents	(1,999)	(2,064)
Cash and cash equivalents at beginning of year	19,746	21,785
Exchange gains/(losses) on cash and cash equivalents	16	25
Cash and cash equivalents at end of year	17,763	19,746

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2024

	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 2023	724	11,148	2,150	(113)	1,619	18,432	33,960
Profit for the year	-	-	-	-	-	5,794	5,794
Foreign exchange	-	-	-	-	(429)	-	(429)
Total comprehensive income for the year	-	-	-	-	(429)	5,794	5,365
Share buybacks	(101)	-	101	-	-	(7,227)	(7,227)
Dividends paid	-	-	-	-	-	(353)	(353)
At 30 April 2024	623	11,148	2,251	(113)	1,190	16,646	31,745
At 30 April 2022	794	11,148	2,080	(113)	1,712	17,526	33,147
Profit for the year	-	-	-	-	-	6,687	6,687
Foreign exchange	-	-	-	-	(93)	-	(93)
Total comprehensive income for the year	-	-	-	-	(93)	6,687	6,594
Share buybacks	(70)	-	70	-	-	(5,382)	(5,382)
Dividends paid	-	-	-	-	-	(399)	(399)
At 30 April 2023	724	11,148	2,150	(113)	1,619	18,432	33,960

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 £5,794,000 (2023 – £6,687,000) and on 6,564,031 (2023 – 7,457,535) 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 2024.

2. Inventories and work in progress

	2024 £'000	2023 £'000
Finished goods for resale	15,487	16,508
Work in progress	2,754	2,979
	<u>18,241</u>	<u>19,487</u>

3. Trade and other receivables

	2024 £'000	2023 £'000
Trade receivables	4,857	6,129
Less: provision for impairment of trade receivables	(592)	(516)
Other receivables	2,802	1,403
Prepayments and accrued income	1,707	2,137
	<u>8,774</u>	<u>9,153</u>

4. Cash and cash equivalents

	2024 £'000	2023 £'000
Cash at bank and in hand	17,763	19,746

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

5. Trade and other payables

	2024 £'000	2023 £'000
Trade payables	4,648	5,525
Accruals	8,146	7,167
Payments received on account	4,031	5,272
Other taxes and social security costs	643	609
Other payables	1,155	1,430
	<u>18,623</u>	<u>20,003</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 2024 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 2023 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 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.