

AIM: CFX
9 August 2023

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

Preliminary Results for the year ended 30 April 2023

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 3% to £104.80m (2022 - £101.8m) but down by 3% on a constant currency basis due to lower Decorating Division sales
- Pre-tax profit decreased by 21% to £8.54m (2022 - £10.82m) – mainly due to lower Decorating Division profits following an exceptional performance in the prior year
- Earnings per share decreased by 13% to 89.7p (2022 - 102.5p)
- Share buyback returned £5.4m of surplus capital to shareholders in September 2022.
- Cash at 30 April 2023 of £19.8m (2022 - £21.8m)
- Fabric Division sales increased by 9.5% to £92.51m (2022 - £84.51m) and by 1.5% on a constant currency basis
 - US sales down by 1%, UK sales up by 1% and Europe sales up by 7% (on a constant currency basis)
- Decorating Division sales decreased by 35% to £9.52m (2022 - £14.63m) following an exceptional prior year performance. Pre-tax loss of £96,000 (2022 - £1.47m profit)
- Board is proposing a final dividend of 2.8p (2022 - 2.7p) making a total for the year of 5.4p (2022 - 5.2p)

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

"The Group has delivered another strong performance achieving record Fabric Division sales against a record prior year. We benefitted from a strong US Dollar and a continuation of the home decorating boom triggered by the pandemic but have also had to deal with high levels of cost inflation in all areas of the business.

"The performance of the Group lags activity in the high-end housing market and we do expect trading conditions to become progressively more challenging as steep interest rate increases start to have an impact in the US and the UK. These expectations are factored into our current year market forecast."

Enquiries:

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COLEFAX GROUP PLC

CHAIRMAN'S STATEMENT

Financial Results

Group sales increased by 3% to £104.82 million (2022 - £101.80 million) but decreased by 3% on a constant currency basis. Pre-tax profits decreased by 21% to £8.54 million (2022 - £10.82 million). Earnings per share decreased by 13% to 89.7p (2022 - 102.5p). The Group ended the year with net cash of £19.8 million (2022 - £21.8 million).

Trading conditions in the Group's core Fabric Division remained mostly favourable throughout the year despite rising interest rates and a slowdown in housing market activity. Sales increased by 2% on a constant currency basis against record prior year sales but pre-tax profits declined by 9% due to cost increases caused by high levels of inflation. The Group benefitted from a very strong US Dollar average rate of \$1.20 compared to \$1.35 for the prior year but the resulting margin boost was largely offset by above average increases in operating expenses. Although Fabric Division profits decreased by 9% the main reason for the 21% decrease in Group profit was a 35% reduction in Decorating Division sales which resulted in a loss of £96,000 for the year compared to a profit of £1.47 million in the prior year. Fluctuations in Decorating Division sales are a feature of the business and depend on the timing of project completions.

In September 2022 the Group returned £5.4 million of surplus cash to shareholders by way of a share buyback. The Group purchased and cancelled 700,000 shares representing 8.8% of the issued ordinary share capital at a price of 765p per share.

The Board is proposing to pay a final dividend of 2.8p (2022 - 2.7p) making a total for the year of 5.4p (2022 - 5.2p). This will be paid on 12 October 2023 to shareholders on the register at the close of business on 15 September 2023.

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 88% of Group turnover, increased by 10% to £92.51 million (2022 - £84.51 million) and by 1.5% on a constant currency basis. Pre-tax profit decreased by 9% to £8.40 million (2022 - £9.29 million). All our major markets performed well against strong prior year comparatives. Sales in the Fabric Division are linked to the level of housing market activity but there is a time lag of up to a year or more between customers moving house and spending on home improvement. Housing transactions in the US and the UK peaked during the Covid pandemic and we believe this has been the main driver of sales over the last two years.

During the first eight months of the year we experienced significant increases in the cost of goods mainly driven by unprecedented increases in energy prices. Managing cost inflation was the biggest challenge for the business during the year but in recent months energy prices have fallen and the inflation outlook has improved.

Sales in the US, which represent 63% of the Fabric Division's turnover, increased by 11% but decreased by 1% on a constant currency basis. Sales in the US are around 28% higher than they were prior to the start of the Covid pandemic demonstrating the strength of the home decorating boom that has taken place as a result. Rising interest rates in the US have inevitably led to a sharp decline in housing transactions and as expected trading conditions started to get more challenging towards the end of the year. We continue to look for opportunities to strengthen our US distribution network and in the autumn we will be opening a new showroom in Dallas to take advantage of growth opportunities in this territory.

Sales in the UK, which represent 16% of the Fabric Division's turnover, increased by 1% against record prior year sales. The UK market at the high end has been reasonably resilient although as in the US rising interest rates are starting to have an adverse impact on housing transactions which are a key

driver of sales. Sales in the second half of the year were flat following a 4% increase in the first half of the year.

Sales in Continental Europe, which represent 19% of the Fabric Division's turnover, increased by 9% and by 7% on a constant currency basis. In terms of sales growth Europe was the best performing market during the year. This is partly due to an increase in contract orders linked to a strong post covid recovery in the high-end hotels sector. Although Brexit does not appear to have adversely impacted sales in Europe it has resulted in increased bureaucracy and costs which have reduced the profitability of sales in Europe. In particular, fabrics purchased from EU manufacturers are now subject to import duty when shipped from our UK warehouse to EU customers. France remains our largest market in Europe and together with Germany and Italy these three countries accounted for 52% of European sales.

Sales in the Rest of the World, which represent just 2% of the Fabric Division's turnover, increased by 31% during the year mainly due to a significant recovery in Middle East sales. Our major markets in the Rest of the World are the Middle East, China and Australia and whilst we will continue to pursue growth opportunities in specific countries, the Rest of the World will 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 £2.78 million (2022 - £2.66 million). Pre-tax profit increased by £160,000 to £240,000 (2022 - £80,000) The improved profit partly reflects the absence of one-off marketing costs in the prior year but also demonstrates the high level of operational gearing in this business where relatively small changes in sales can have a significant impact on profits. During the year we completed a major investment in our freehold factory in Devon which has increased operational and energy efficiency. In September we opened a new trade showroom adjoining our Colefax showroom in Chelsea Harbour and are starting to see the benefits of this investment.

Interior Decorating Division

Decorating sales, which represent 9% of Group turnover, decreased by 35% to £9.52 million (2022 - £14.63 million) resulting in a pre-tax loss for the year of £96,000 (2022 - £1.47 million profit). The reduction in sales was in line with expectations and follows an exceptional performance in the prior year. The profit on decorating projects is recognised on invoicing and as a result sales and profits can fluctuate significantly depending on the timing of completion of projects. Lead times increased markedly during the pandemic and labour shortages continue to impact the duration and timing of projects. The Decorating Division is starting the new year with a high level of deposits which are up by 90% compared to the prior year.

Prospects

The Group has delivered another strong performance achieving record Fabric Division sales against a record prior year comparative. We benefitted from a strong US Dollar and a continuation of the home decorating boom triggered by the pandemic but have also had to deal with high levels of cost inflation in all areas of the business. The performance of our core Fabric Division lags activity in the high-end housing market and we do expect trading conditions to become progressively more challenging as steep interest rate increases start to have an impact in the US and the UK. These expectations are factored into our current year market forecast. The Group has a very strong balance sheet with cash of £19.8 million and we will continue to invest with confidence in our portfolio of brands.

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

David Green
Chairman
8 August 2023

GROUP INCOME STATEMENT

For the year ended 30 April 2023

	2023 £'000	2022 £'000
Revenue	104,818	101,796
Cost of sales	(45,085)	(47,237)
Gross profit	59,733	54,559
Operating expenses	(50,214)	(42,665)
Other income	-	-
Profit from operations	9,519	11,894
Finance income	26	-
Finance expense	(1,001)	(1,071)
Profit before taxation	8,544	10,823
Tax expense	(1,857)	(2,330)
Profit for the year attributable to equity holders of the parent	6,687	8,493
Basic and diluted earnings per share	89.7p	102.5p

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 April 2023

	2023 £'000	2022 £'000
Profit for the year	6,687	8,493
Other comprehensive (expense) / income:		
Items that will or may be reclassified to profit and loss:		
Exchange differences on translation of foreign operations	(93)	522
Tax relating to items that will or may be reclassified to profit and loss	-	-
Total other comprehensive (expense) / income	(93)	522
Total comprehensive income for the year attributable to equity holders of the parent	6,594	9,015

GROUP STATEMENT OF FINANCIAL POSITION

At 30 April 2023

	Notes	2023 £'000	2022 £'000
Non-current assets:			
Property, plant and equipment		8,231	7,423
Right of use asset		23,464	25,621
Deferred tax asset		23	22
		31,718	33,066
Current assets:			
Inventories and work in progress	2	19,487	17,031
Trade and other receivables	3	9,153	6,976
Cash and cash equivalents	4	19,746	21,785
Current corporation tax		144	115
		48,530	45,907
Current liabilities:			
Trade and other payables	5	20,003	17,582
Lease liabilities		3,085	4,176
		23,088	21,758
Net current assets		25,442	24,149
Total assets less current liabilities		57,160	57,215
Non-current liabilities:			
Lease liabilities		22,977	23,807
Deferred tax liability		223	261
Net assets		33,960	33,147
Capital and reserves attributable to equity holders of the Company:			
Called up share capital		724	794
Share premium account		11,148	11,148
Capital redemption reserve		2,150	2,080
ESOP share reserve		(113)	(113)
Foreign exchange reserve		1,619	1,712
Retained earnings		18,432	17,526
Total equity		33,960	33,147

GROUP STATEMENT OF CASH FLOWS

For the year ended 30 April 2023

	2023 £'000	2022 £'000
Operating activities		
Profit before taxation	8,544	10,823
Finance income	(26)	-
Finance expense	1,001	1,071
Loss/(Profit) on disposal of property, plant and equipment	47	(9)
Depreciation	2,748	2,274
Depreciation on right of use assets	4,952	4,609
Cash flows from operations before changes in working capital	17,266	18,768
Increase in inventories and work in progress	(2,462)	(898)
(Increase) / decrease in trade and other receivables	(2,099)	1,789
Increase / (decrease) in trade and other payables	2,239	(1,736)
Cash generated from operations	14,944	17,923
Taxation paid		
UK corporation tax paid	(699)	(1,595)
Overseas tax paid	(1,103)	(488)
	(1,802)	(2,083)
Net cash inflow from operating activities	13,142	15,840
Investing activities		
Payments to acquire property, plant and equipment	(3,580)	(2,255)
Receipts from sales of property, plant and equipment	-	13
Net cash outflow from investing	(3,580)	(2,242)
Financing activities		
Purchase of own shares	(5,382)	(6,779)
Principal paid on lease liabilities	(4,846)	(4,061)
Interest paid on lease liabilities	(999)	(1,073)
Interest paid	-	3
Equity dividends paid	(399)	(197)
Net cash outflow from financing	(11,626)	(12,107)
Net (decrease)/increase in cash and cash equivalents	(2,064)	1,491
Cash and cash equivalents at beginning of year	21,785	19,344
Exchange gains/(losses) on cash and cash equivalents	25	950
Cash and cash equivalents at end of year	19,746	21,785

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2023

	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 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)
Tax on other comprehensive income	-	-	-	-	-	-	-
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
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

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 £6,687,000 (2022 – £8,493,000) and on 7,457,535 (2022 – 8,284,746) 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 2023.

2. Inventories and work in progress

	2023	2022
	£'000	£'000
Finished goods for resale	16,508	14,961
Work in progress	2,979	2,070
	<u>19,487</u>	<u>17,031</u>

3. Trade and other receivables

	2023	2022
	£'000	£'000
Trade receivables	6,129	5,096
Less: provision for impairment of trade receivables	(516)	(374)
Other receivables	1,403	607
Prepayments and accrued income	2,137	1,647
	<u>9,153</u>	<u>6,976</u>

4. Cash and cash equivalents

	2023	2022
	£'000	£'000
Cash at bank and in hand	<u>19,746</u>	<u>21,785</u>

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

5. Trade and other payables

	2023	2022
	£'000	£'000
Trade payables	5,525	5,933
Accruals	7,167	6,402
Payments received on account	5,272	3,360
Other taxes and social security costs	609	704
Other payables	1,430	1,183
	<u>20,003</u>	<u>17,582</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 2023 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 2022 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.