cardfactory

Creating celebrations for all life's moments

Card Factory plc
FY25 Interim Results

24 September 2024

Agenda

Introduction	*Darcy Willson-Rymer*
Financial Performance	*Matthias Seeger*
Strategy Update	*Darcy Willson-Rymer*
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Q&A	*Darcy Willson-Rymer & Matthias Seeger*

Introduction

Darcy Willson-Rymer

Continued positive momentum driving performance in HY25

- Revenue growth driven by stores and positive progress in executing our growth strategy.
- HY25 topline growth ahead of both the celebrations occasions market and wider non-food retail sector*.
- Very encouraging partnerships progress including entry into the US market later this year through a new retail partnership.
- Progressive strengthening of the balance sheet.
- As previously guided, benefit of efficiency and productivity measures weighted to the second half.
- Our expectations for the full year are unchanged.
- Interim dividend of 1.2p per share.

Source: Kantar Worldpanel Plus | Physical Retail data to 4th August 2024 & BRC-KPMG Retail sales monitor February 2024 – August 2024

Financial Performance

Matthias Seeger

HY25 financial highlights

On track to deliver our full year expectations

Continued sales growth in challenging environment

PBT phasing to second half as expected

Disciplined investments maintain a strong balance sheet

Interim dividend of 1.2p per share

HY25 = six months ended 31 July 2024.

Resilient financial performance

Revenue
£233.8m
(HY24: £220.8m)
+5.9%

Adjusted PBT
£14.5m
(HY24: £22.1m)
-34.4%

Adjusted EPS
3.1 pence
(HY24: 5.0 pence)
-1.9 pence

Cash from Operations
£17.5m
(HY24: £36.3m)
-51.8%

Net Debt
£74.9m
(HY24: £71.9m)
+4.2%

DPS
1.2 pence
(HY24: 0.0 pence)
+1.2 pence

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Net debt includes £15.5 million dividend payment in respect of FY24 (HY24: no dividends)
Adjusted PBT excludes one-off transactions; £0.5 million accelerated transaction costs on refinancing. Adjusted EPS excludes post-tax effect of one-off transactions. EPS = earnings per share. DPS = dividend per share.

Continued top line sales growth – Positive store LFL and new store expansion

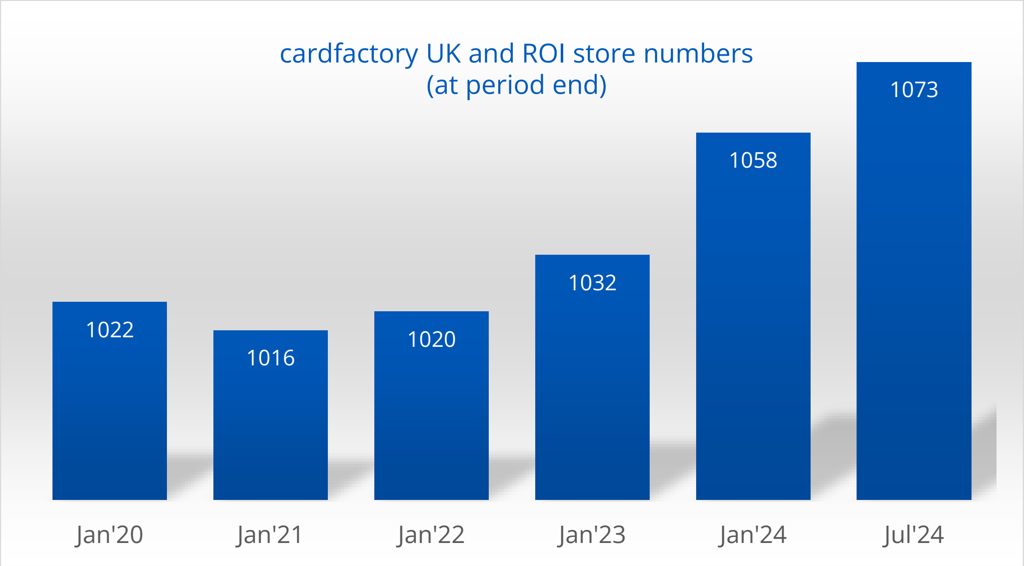
LFL = Like for like sales from stores open in both periods

Stores sales outperforming the market

- Total cardfactory store sales of +6.1% in H1 significantly outperformed non-food sector sales which declined during the same period.
- cardfactory LFL store sales of +3.7% strongly outperformed non-food LFL sector sales as general high street footfall was down year-on-year during that period.
- cardfactory LFL growth was driven by increased sales of gifts and celebration essentials with minimal impact from pricing in HY25.
- Net new store openings of +15 in HY25 shows an acceleration of our strategy to serve more customers in more locations.
- Strong new store pipeline for H2 FY25 continues to broaden footprint of cardfactory store estate in UK and Republic of Ireland.

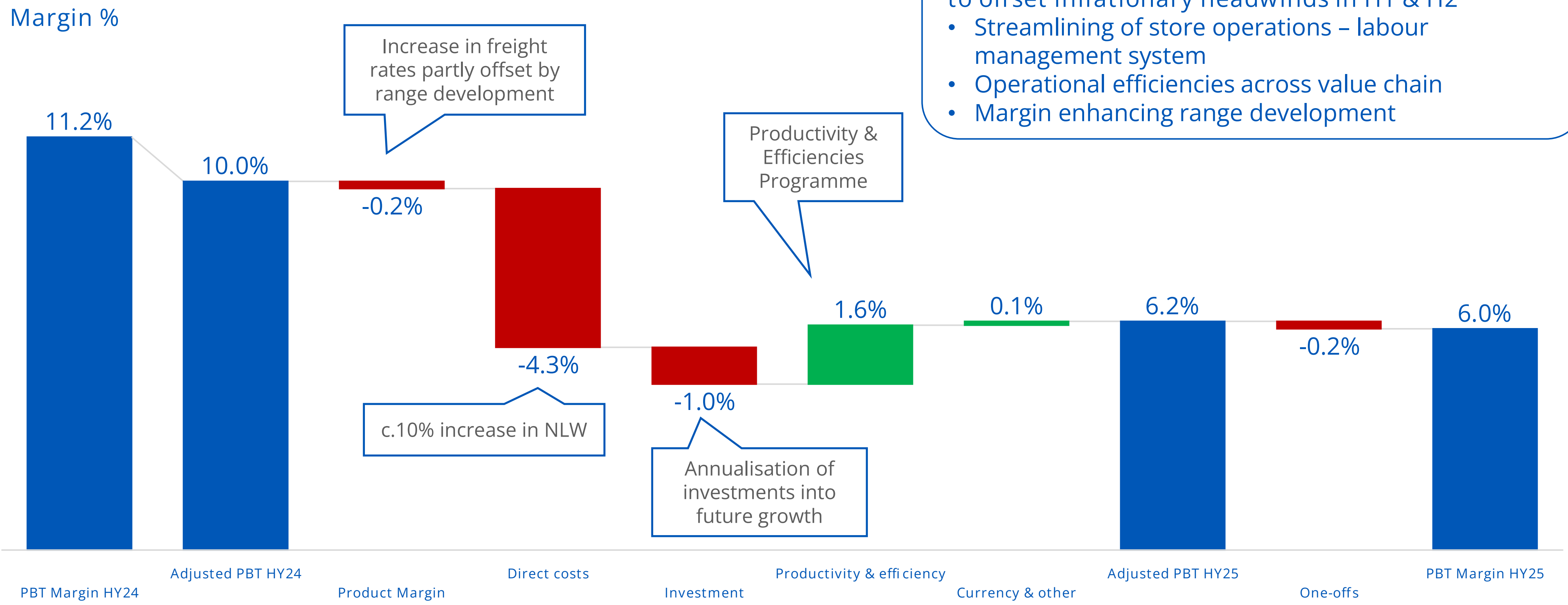
	Cardfactory Stores	BRC-KPMG*		
	Feb-Jul	Avg Feb-Jul**	Feb-Apr	May-Jul
Total Sales	+6.1%	-2.3%	-2.8%	-1.7%
LFL Sales	+3.7%	-2.8%	-3.8%	-1.7%

* BRC-KPMG sales monitor, non-food 3-month averages, ** Non-weighted average



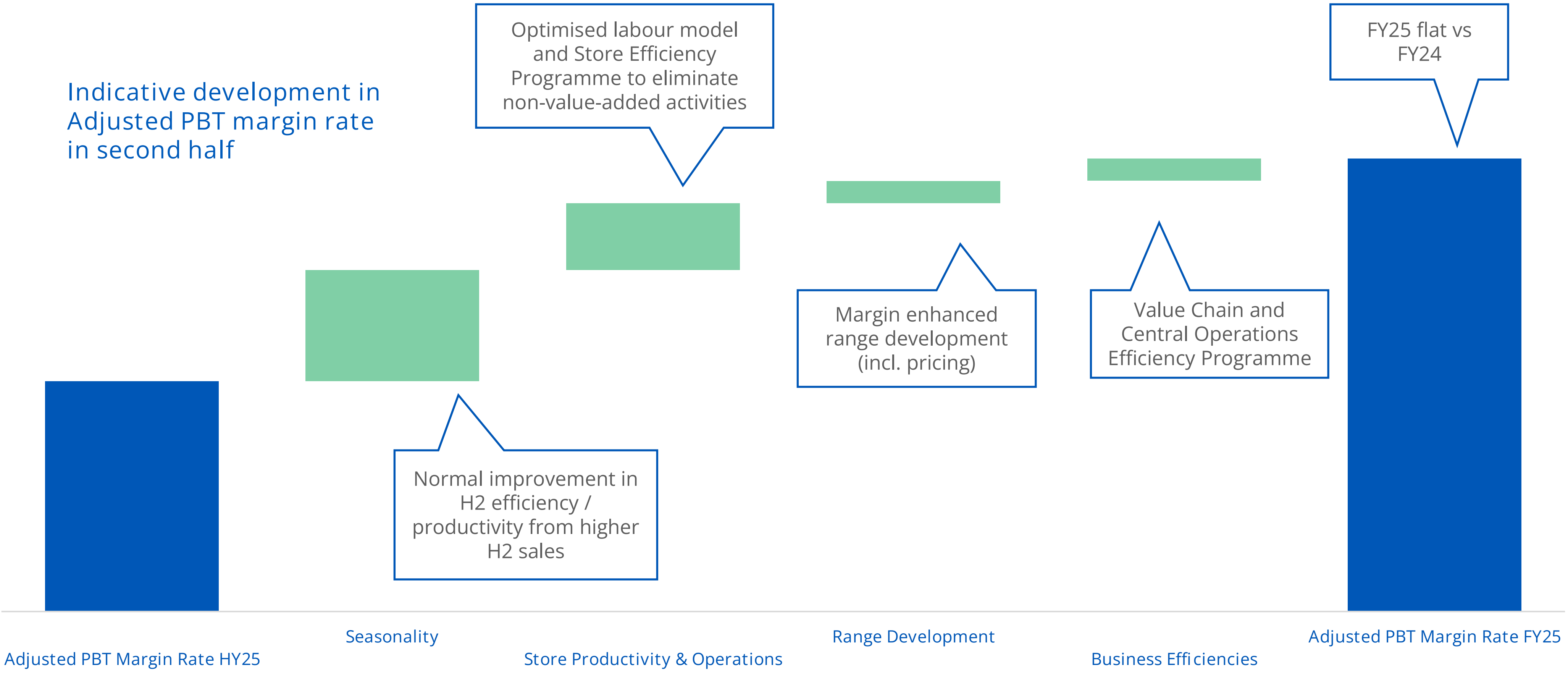
HY25 PBT margin impacted by wage inflation; programme in place to mitigate in H2

Proven, continuous programme to focus on lowest cost delivery (Productivity, Efficiency, Range) in place to offset inflationary headwinds in H1 & H2
- Streamlining of store operations – labour management system
- Operational efficiencies across value chain
- Margin enhancing range development

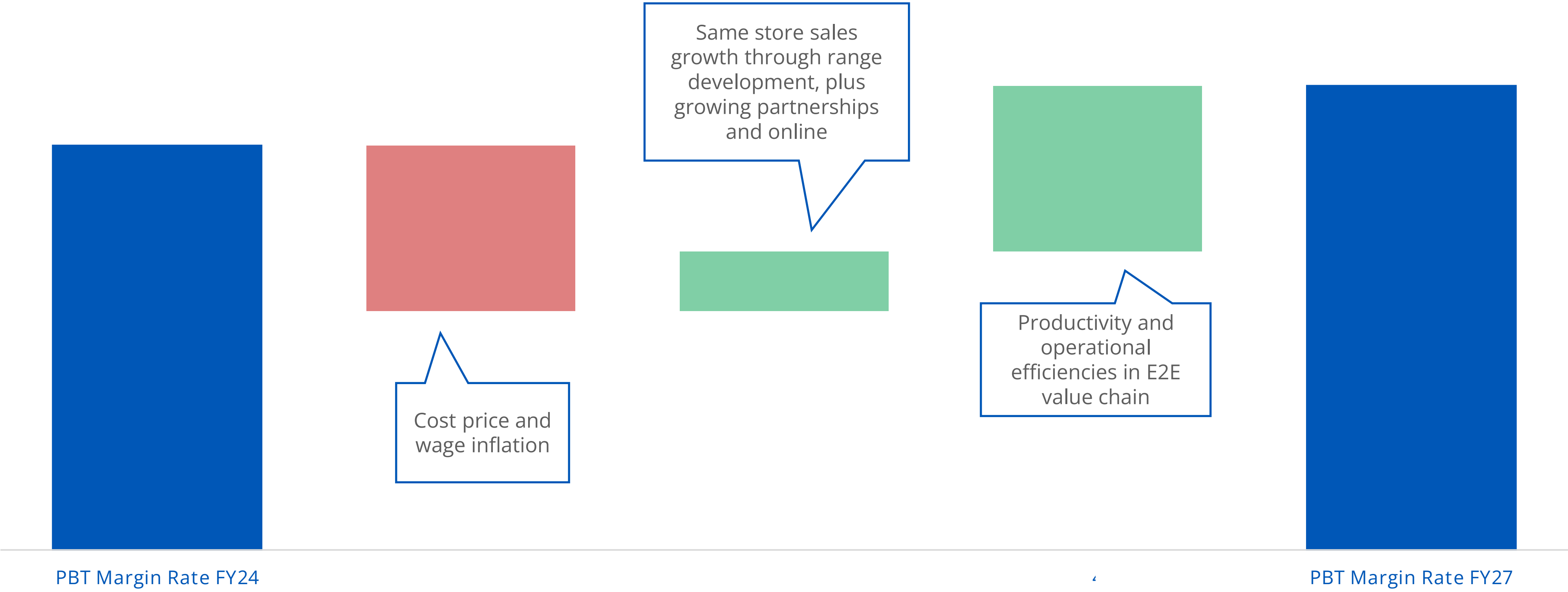


NLW = National Living Wage. "Other" includes depreciation, amortisation and financing costs.

Proven, continuous programme to focus on lowest cost delivery (Productivity, Efficiency, Range) in place to offset inflationary headwinds in H1 & H2



Remain confident in our ability to deliver FY27 targets



HY25 profit impacted by inflation in H1 versus mitigating actions in H2

	HY25	HY24	Change
Revenue	£233.8m	£220.8m	+5.9%
Product Margin	£164.0m	£155.2m	+5.7%
Product Margin %	70.1%	70.3%	-0.2ppts
Gross Profit	£76.2m	£81.3m	-6.3%
Gross Margin %	32.6%	36.8%	-4.2ppts
Profit Before Tax (PBT)	£14.0m	£24.7m	-43.3%
PBT Margin %	6.0%	11.2%	-5.2ppts
Adjusted PBT	£14.5m	£22.1m	-34.4%
Adjusted PBT Margin %	6.2%	10.0%	-3.8ppts
Adjusted EPS	3.1 pence	5.0 pence	-38.0%

- Adjusted PBT of £14.5 million is down reflecting inflationary headwinds in HY25 and the annualisation of HY24 investments.
- Product margins slightly reduced by 0.2ppts to 70.1%, reflecting the temporary impact of volatility in freight rates.
- Gross margin of 32.6% reduced 4.2ppts predominantly due to the impact of second consecutive circa 10% increase in National Living Wage from April. Actions to offset the impact of wage increases will deliver benefits in the second half of the year.
- As a result, Adjusted EPS for the period is 3.1 pence per share.

Adjusted PBT excludes one-off transactions. Adjusted EPS excludes one-off transactions plus the tax associated with those transactions.

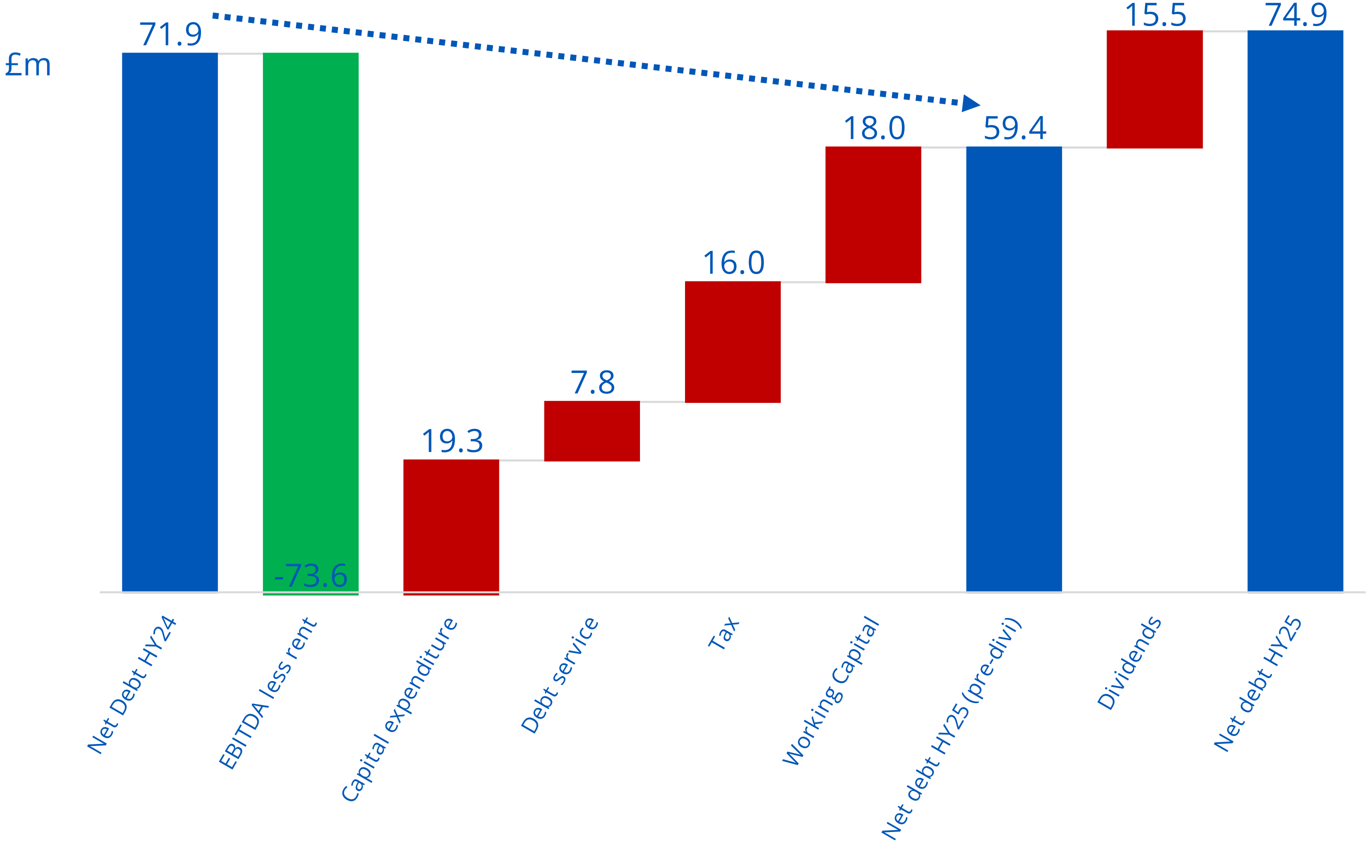
Disciplined investment approach, strong cash performance

	HY25	HY24	Change
EBITDA	£45.3m	£51.1m	(£5.8m)
Cash from Operations	£17.5m	£36.3m	(£18.8m)
Corporation Tax	(£8.6m)	(£6.1m)	(£2.5m)
Capital Expenditure	(£6.8m)	(£15.3m)	£8.5m
Lease Payments (Rent)	(£22.2m)	(£22.7m)	£0.5m
Finance Costs	(£4.7m)	(£3.4m)	(£1.3m)
Free Cash Flow	(£24.8m)	(£11.2m)	(£13.6m)
Net Change in borrowings	£55.3m	£24.7m	£30.6m
Dividends	(£15.5m)	-	(£15.5m)
Acquisition of SA Greetings	-	(£2.2m)	£2.2m
Net Cash Flow	£15.0m	£11.3m	£3.7m
Operating Cash Conversion	38.6%	71.0%	(32.4%)

- Seasonal business cycle with greater cash outflows and working capital build up in the first half.
- Operating cash flow reduced year-on-year due to lower EBITDA, earlier stock build to mitigate freight risk and payments related to provisions.
- Disciplined investment reduced our capital expenditure by £8.5 million compared to HY24.
- Free cash flow generation expected to be weighted to the second half.

Operating Cash Conversion is Cash from Operations expressed as a percentage of EBITDA.
Acquisition of SA Greetings in table stated net of cash acquired of £0.3 million.

Reduction in net debt prior to dividend payments



£12.5 million reduction in net debt at 31 July 2024 prior to reintroduction of dividends

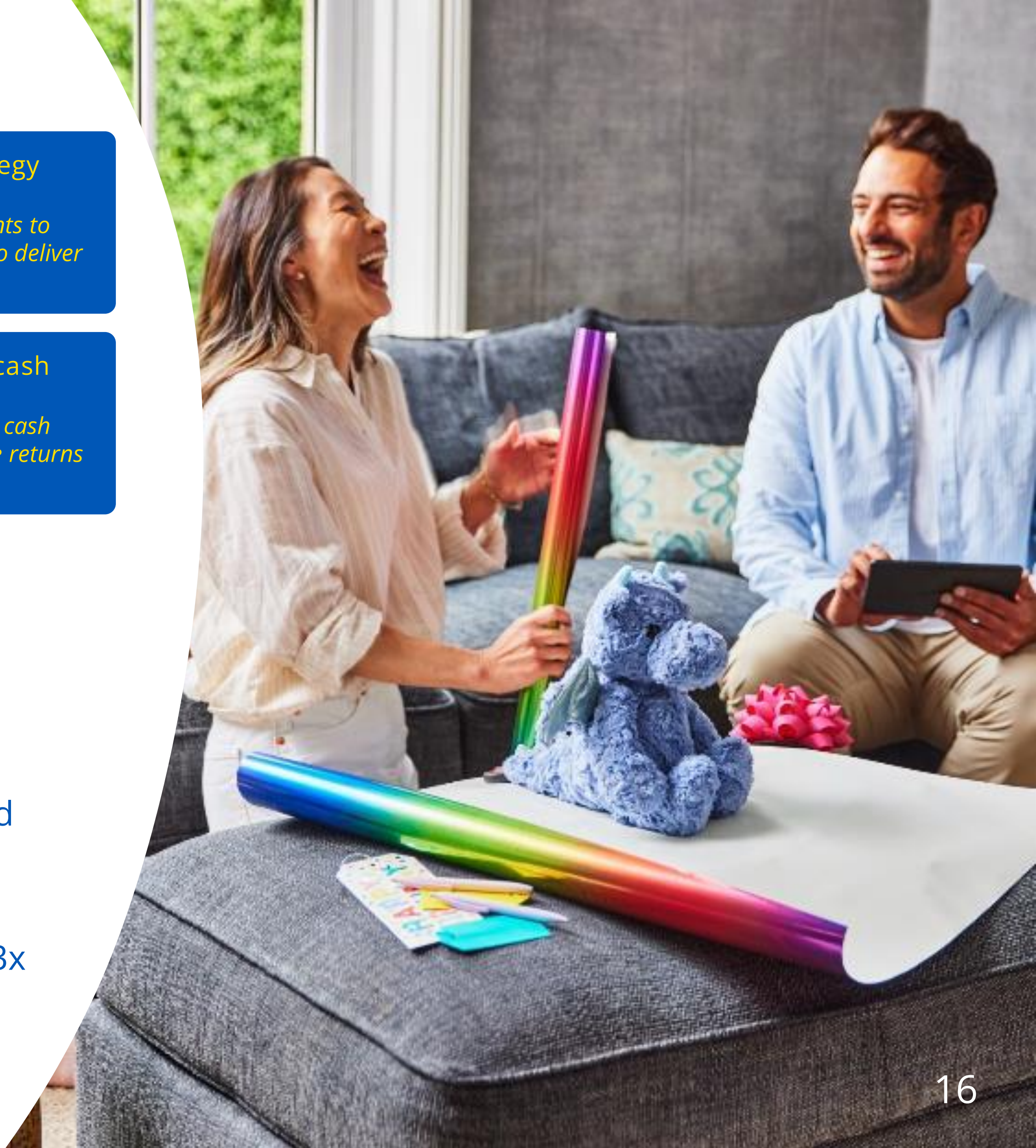
- Final dividend in respect of FY24 (£15.5 million) paid during H1 in June; net debt is up by £3.0m after dividend payment.
- Disciplined approach to investment, net cash generation increases off-setting negative inflationary impact.
- Seasonal cycle of business means working capital build in HY25 ahead of Christmas season.
- Adjusted Leverage of 0.9x at 31 July 2024, below 1.5x target.
- Cash and committed facilities at 31 July 2024 of £50.4 million, with accordion option of £75.0 million.

Debt service includes £1.7 million refinancing fees in HY25.

Disciplined Capital Allocation approach

Maintain a strong balance sheet	Invest to deliver the strategy
Target maximum leverage of 1.5x	*Deliver business plans; investments to accelerate business progress need to deliver attractive returns*
Regular, progressive returns to shareholders	**Disciplined use of surplus cash**
Dividend cover between 2-3x *Interim (c.25%) and final (c.75%) dividends*	*Total returns will not exceed free cash generated in the period to which the returns relate*

- Capital Allocation Policy stipulates returning cash to shareholders in a disciplined way whilst investing to deliver the strategy and maintaining a strong balance sheet.
- £15.5 million final full year FY24 dividend paid in June 2024 at 3x Dividend Cover on Adjusted EPS. (No dividend paid at HY24 due to restrictions in place at the time).
- Interim dividend of 1.2p per share equivalent to £4.2 million maintaining expected dividend cover of around 3x adjusted EPS.



Financial summary

- Strong sales performance against backdrop of challenging market conditions.
- Positive operating cash flows off-setting inflation and operational investment through disciplined management of capex investment.
- As anticipated HY25 was negatively impacted by wage and freight price increases.
- Robust plans to deliver operational efficiencies and productivity in the second half now being executed.
- We remain confident in full year trading and our expectations FY25 are unchanged.

Strategy Update

Darcy Willson-Rymer

Strategic growth pillars

Stores:

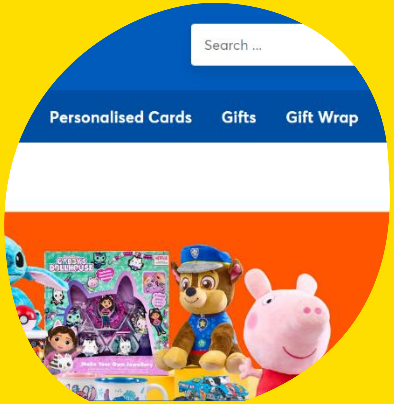
Leverage and grow profitable store estate

Card, Gifts & Celebration Essentials:

£13.4bn UK Celebration Occasions addressable market

Online & Omnichannel:

Deliver a seamless celebration experience



Partnerships:

£80bn international market opportunity

Positive progress on strategic initiatives: Stores

- Total store revenue growth +6.1% as we continued to grow our profitable UK & ROI estate bringing our leading value proposition to more locations.
- 15 net new store openings in H1, including fourth central London store in Cheapside.
- Continue to optimise store space to support gift and celebration essentials growth without compromising card sales growth.
- New industry-recognised labour modelling system introduced to deliver store efficiencies and improve productivity.
- Updated our store design blueprints to define and drive brand standards.

Positive progress on strategic initiatives: Cards and gifts

- Strong performance across HY25 Spring seasons, driven by card range development aligned to key trends.
- Gifts (+10.5% LFL) and celebration essentials (+3.2% LFL) a key driver of revenue growth as we continue to introduce new and expand existing categories.
- New baby gifting range introduced and development of key categories including soft toys (+27% LFL), confectionery (+30% LFL) and limited collections (+17% LFL) such as Disney and licensed ranges.
- Working to expand the number of products that are fully recyclable and reduce tertiary packaging used to transport products.

Positive progress on strategic initiatives: Omnichannel and Online

- Online momentum continued at cardfactory.co.uk with revenue growth of +8.8% supported by increased traffic and transactions.

- Ongoing range development focused on driving online profitability through focus on higher margin products.

- Redesigned event reminder tool and introduced AI powered product recommendations.

- New exclusive partnership launched with Just Eat to trial on demand celebrations offer from 19 stores across the UK, with plans to expand to further 21 UK stores in H2.

- Technology transformation continues to unlock future digital and omnichannel propositions.

Positive progress on strategic initiatives: Partnerships

UK partnerships developments:

- Full Aldi UK and ROI estate rollout secured with multi-year, full-service agreement.
- Exclusive supplier of everyday greetings cards, doubling our presence to service all Aldi's circa 1200 stores from the end of September 2024.
- Optimising in-store location, range and offer across UK Matalan stores.

International partnership developments:

- Entry into the US market secured through a nationwide wholesale retail partnership which will roll out in time for Christmas.
- In advanced discussions to renew multi-year agreement with The Reject Shop in Australia, expanding to full-service model inc seasonal ranges.
- Continue to optimise location, range and offer in Liwa stores in the Middle East.

Garlanna acquisition completed 4th September 2024:

- Publisher and wholesaler of greeting cards, gift wrap, gift bags and accessories serving the Irish market.
- Turnover represents <1% of total group sales.

Summary & Outlook

Darcy Willson-Rymer

Preparations for Christmas

- Well prepared for our key Christmas season.
- Christmas rollout underway with marketing campaign activation and new promotional activity.
- 80% of Christmas range new for FY25 including expanded gift offer with new ranges including toys, baby's first Christmas and pet gifting.
- Broader range available online.
- Refined allocations process to enable agile approach to stock management.
- Effective preparation and planning on inbound logistics.
- Optimised seasonal recruitment to drive efficiencies and productivity.

Summary of HY25

- Resilient topline performance through HY25 led to growth ahead of the celebrations occasions market.
- Very encouraging progress across our strategic growth pillars.
- Growing our presence and reach through our expanding store estate and retail partnerships.
- Demonstrating headway as a celebrations destination for consumers to address £13.4 bn UK market opportunity.
- Delivery underway of our robust plans to offset inflationary pressures experienced in HY25.
- Positive cash generation continued through HY25.

Confident outlook for the full year

- Effective execution of efficiencies and productivity measures, meaning we are on track and have confidence to deliver our plans for the full year.
- Disciplined management of working capital.
- Continued strategic progress expected in H2, building on HY25 performance against a challenging retail backdrop.
- H2 trading to date has been in line with the first half.
- Our expectations for FY25 remain unchanged.
- The Board remains confident in the compelling growth opportunity for the business to deliver on our FY27 targets, which remain unchanged.

Q&A

Darcy Willson-Rymer & Matthias Seeger