

23 March 2023

**Portmeirion Group PLC**  
**(the "Group")**

**Preliminary results for the year ended 31 December 2022**

***Another record sales year shows continued resilience of our  
brands and strong global demand***

Portmeirion Group PLC, the owner, designer, manufacturer and omni-channel retailer of leading homeware brands in global markets, is pleased to announce its preliminary results for the year ended 31 December 2022.

**Financial summary**

	<b>2022</b> <b>£m</b>	2021 £m	2019 £m
<b>Revenue</b>	<b>110.8</b>	106.0	92.8
<b>Headline profit before tax<sup>1</sup></b>	<b>8.0</b>	7.2	7.4
<b><i>Profit before tax</i></b>	<b><i>7.0</i></b>	<i>6.0</i>	<i>7.1</i>
<b>EBITDA</b>	<b>12.1</b>	10.7	11.4
<b>Headline basic earnings per share<sup>1</sup></b>	<b>46.59p</b>	38.85p	56.32p
<b><i>Basic earnings per share</i></b>	<b><i>40.39p</i></b>	<i>23.58p</i>	<i>54.66p</i>
<b>Dividends paid and proposed per share in respect of the year</b>	<b>15.50p</b>	13.00p	8.00p

**Headlines:**

**Financial**

- Record Group revenue of £110.8 million in the year to 31 December 2022, an increase of 5% over the prior year (2021: £106.0 million) and 19% over pre Covid-19 level (2019: £92.8 million).
- Headline operating margin<sup>1</sup> increased from 7.2% to 7.8% and we reiterate our long-term ambition to improve the operating margin to 12.5%.
- Excellent Christmas and Thanksgiving trading period with strong demand across our portfolio of consumer goods brands.
- Sales from online platforms continue to grow despite physical retail stores reopening, and now represent 51% of total sales in our core UK and US markets in the year to 31 December 2022 (2021: 50%, 2019: 30%).
- Headline profit before tax<sup>1</sup> of £8.0 million now ahead of pre-Covid levels (2021: £7.2 million, 2019: £7.4 million).
- Total dividends paid and proposed of 15.50p per share, a 19% increase over the prior year (2021: 13.00p, 2019: 8.00p), reflecting improved trading performance during the year. Final dividend proposed of 12.00p per share.
- Inventory levels remain elevated at year end to avoid supply chain disruption and this is expected to normalise in 2023.

- Strong balance sheet and significant headroom within current borrowing facilities.

<sup>1</sup>Headline profit before tax, headline operating margin and headline basic earnings per share exclude exceptional items - see notes 2 and 4.

## **Operational**

- Improved productivity in Stoke-on-Trent ceramic factory as we start to obtain the benefits from automation capex.
- Encouraging growth from South Korea, Canada and China, following strategic focus on international markets.
- AromaWorks London brand and intellectual property acquisition in August 2022 adding scale and synergies to home fragrance operations.
- Collaboration between Spode and Kit Kemp Design Studio for an initial period of five years, with launch date set for April 2023.
- New product launches continue to represent more than 10% of Group sales, including new collections to celebrate the 50<sup>th</sup> anniversary of Portmeirion Botanic Garden.

## **Current Trading & Outlook**

- Trading in the first few months of 2023 is in line with our expectations and our forward order books remain healthy.
- Seeing an encouraging customer outlook although remain cautious due to the ongoing macroeconomic uncertainty.
- Remain focused on long-term growth and margin improvement opportunity and confident in continued progress against our strategy.

## **Mike Raybould, Chief Executive** commented:

"I am delighted that our brands continue to resonate so well with customers around the world despite the tougher economic backdrop. We have benefited from our diversified, global sales geography with 75% of sales now outside of the UK. We saw strong sell through during our seasonal / Christmas trading with increased online penetration and successful new product extensions. Ongoing productivity improvements in our UK ceramic factory with the continued investment in automation, together with our long-term energy price hedge in place until Q1 FY24, helped us to mitigate higher input cost inflation and still grow operating margins.

We have a strong new product pipeline and look forward to launching our new product ranges over the next 18 months. Our ambition is to support and extend our key heritage ranges including Portmeirion Botanic Garden and Spode Christmas Tree as well as taking further share in contemporary product categories. We will launch our Spode tableware and giftware collaboration with leading British interior designer Kit Kemp in New York and London in April 2023.

Trading for the first few months of 2023 remains in line with our expectations and we enter the new year with a healthy forward order book. We continue to focus on delivering on our significant long-term growth and margin improvement opportunity. The macroeconomic uncertainty looks to continue however our global diversification, strong balance sheet and encouraging customer outlook means we are well positioned for the year ahead."

## ENQUIRIES:

### **Portmeirion Group PLC:**

Mike Raybould, *Chief Executive* +44 (0) 1782 743 440 [mraybould@portmeiriongroup.com](mailto:mraybould@portmeiriongroup.com)  
David Sproston, *Group Finance Director* +44 (0) 1782 743 440 [dsproston@portmeiriongroup.com](mailto:dsproston@portmeiriongroup.com)

### **Hudson Sandler:**

Dan de Belder +44 (0) 207 796 4130 [portmeirion@hudsonsandler.com](mailto:portmeirion@hudsonsandler.com)  
Nick Moore  
Emily Brooker

### **Shore Capital:**

(Nominated Adviser and Joint Broker):

+44 (0) 207 408 4090

Patrick Castle  
Lucy Bowden  
Malachy McEntyre

Corporate Advisory  
Corporate Broking

### **Singer Capital Markets**

(Joint Broker):

+44 (0) 207 496  
3000

Peter Steel  
Asha Chotai

Investment Banking

## NOTES TO EDITOR:

Portmeirion Group PLC is a leading, omni-channel British ceramics manufacturer and retailer of leading homeware brands.

Based in Stoke-on-Trent, United Kingdom, the Group owns six unrivalled heritage and contemporary brands, with 750+ years of collective heritage; Portmeirion, Spode, Royal Worcester, Pimpernel, Wax Lyrical and Nambé.

The Group serves markets across the world, with global demand driven by diversified international markets including the key geographies of the US, UK and South Korea.

Portmeirion Group has a proven capital-light, well developed and self-funded growth strategy focused on building a wider customer base and growing the sales footprint of its brands, through:

- Building and growing international sales markets
- Developing online sales channels in core markets
- Designing and launching new product to widen appeal and take market share
- Leveraging brands and extensive product ranges

## **Portmeirion Group PLC Chairman and Chief Executive Statements**

### **Trading**

2022 was another record sales year for the Group as our strategy of developing geographic sales markets and increasing online sales penetration continues to yield benefits.

Sales grew by 5% over 2021 and are now 19% above 2019 pre-Covid levels as our portfolio of brands showed their resilience and continued to resonate globally with consumers.

We experienced another strong seasonal Christmas and Thanksgiving trading period - particularly in the US, now our largest sales market and representing 40% of the Group's turnover. Our Spode Christmas Tree range, first launched in 1938, remains a US market favourite and continues to grow driven by new product launches and increased online exposure through retailer websites and our own ecommerce channels. It is noticeable that whilst being seasonally weighted, the festive period is also our most reliable in terms of forecasting sales with a large number of repeat customers returning each year to place orders to add to their collections.

Our South Korean sales market grew strongly and is now back to historical levels of trading as we continue to innovate and introduce new product ranges and increase online exposure.

In our core UK and US markets we have continued to see the benefits of growth in online channel exposure despite physical retail reopening in 2022 - with 51% of all sales going through online channels (2021: 50%, 2019: 30%).

Our ability to pass on price rises and achieve factory productivity gains from capital investments, together with the strength and depth of our supply chain experience in managing high input cost inflation, has allowed us to grow headline profits by 11% over 2021 and increase operating margins by 8%.

Full year headline profit before tax<sup>1</sup> was £8.0 million (2021: £7.2 million).

We are confident that we can continue to grow our sales footprint over the next 3-5 years driven by new geographic markets, further online channel penetration and product innovation within our core markets. Simultaneously, we are focused on our long-term objective of growing our operating margins back to historical highs of around 12.5% (2022: 7.8%, 2021: 7.2%).

## **Financial Headlines**

Revenue for the year ended 31 December 2022 was up by 5% from 2021 and 19% from pre Covid-19 levels at £110.8 million, in line with market consensus. This has been achieved by a strong Christmas trading period, as well as continued growth of our online sales platforms, especially in our core UK and US markets (51% of total sales in 2022). Our long-term ambition is to improve operating margins to 12.5% and this has moved in the right direction with headline operating margins<sup>1</sup> increasing to 7.8% (2021: 7.2%). Additionally, headline basic earnings per share<sup>1</sup> was 46.59p per share (2021: 38.85p, 2019: 56.32p).

<sup>1</sup>Headline profit before tax, headline operating margin and headline basic earnings per share exclude exceptional items - see notes 2 and 4.

## **Dividend**

The Board remains committed to a sustainable dividend policy with an appropriate level of cover. Our policy will ensure that we retain and invest sufficient capital in our business to drive long-term growth in our brands. We currently consider that a level of cover at or close to three times the dividends paid and proposed for the year is the appropriate rate for the medium-term to allow increased investment whilst providing a return for shareholders.

Due to the improved trading performance in the year, the Board is recommending a final dividend of 12.00p (2021: 13.00p). Total dividends paid and proposed for the year would therefore be 15.50p per share, an increase of 19% over the prior year (2021: 13.00p).

## **The Board**

On 22 March 2023, in the interest of our continued commitment to good practice, the Board appointed Angela Luger as the Senior Non-executive Director. Angela has been a Non-executive Director since 2019. During 2022, we strengthened our Global commercial leadership with the appointment of Bill Robedee as Global Sales Director in addition to his role as President of Portmeirion North America.

The Board keeps its composition and performance under constant review so as to ensure that we have the appropriate skills, experience and resources to deliver on our four main board requirements of: setting strategy, reviewing progress against strategy, monitoring the resources required to deliver the strategy and complying with relevant regulatory or governance requirements be they legal or otherwise. We undertake a formal board effectiveness review each year.

## **Environmental, Social and Governance (ESG)**

We are focused on being an ethical and sustainable business and recognise our responsibility to our shareholders, employees, customers, communities and the people that bring our products into their homes. We believe that operating in a sustainable way across the environment, all people and communities is critical to the long-term health of our business and the world we operate in. Following analysis work over the last two years, we are now at a pivotal stage in developing and delivering a sustainability plan for our global business. In Q2 2023, we will be announcing our Crafting a Better Future sustainable business strategy and roadmap.

The Group has a long history of innovation and a strong track record of continual improvements in ESG. Focusing on our operation with the highest energy usage, being the Stoke-on-Trent tableware manufacturing facility, we were pleased to see a further reduction in carbon emission per tonne of saleable product by 10% in 2022 over 2021. We are dedicated to delivering further significant improvements in energy consumption and carbon emissions in the coming years.

Our commitment to our people, ethics and governance is unfaltering, supported by our policies and processes. Further details about our corporate culture and its integration within the Group can be found on our website, [www.portmeiriongroup.com](http://www.portmeiriongroup.com), and in our annual report and accounts in the Section 172(1) statement - Engaging with key stakeholders to deliver long term success, in the Our commitment to ESG section and the Corporate Governance Statement.

The commitment of our employees to making beautiful products ethically is valued by the Board and we thank them for their efforts in delivering record results. Our culture and staff well-being initiatives support our ethos to be an employer of choice. This is demonstrated by both our UK businesses being Investor in People Platinum level accredited.

We have complied with the principles of the Quoted Companies Alliance ("QCA") Corporate Governance Code throughout 2022 and continue to do so. Further details of our approach to governance can be found on our website and in our annual report and accounts. The Board considers our governance procedures to be appropriate for a company of our size, however we are always open to improvement and welcome feedback and engagement with all shareholders. Shareholders are encouraged to contact us via the email address [shareholderenquiries@portmeiriongroup.com](mailto:shareholderenquiries@portmeiriongroup.com).

## **Operational Overview**

Revenue for the Group increased by 5% to £110.8 million (2021: £106.0 million).

The US is our largest geographical market representing 40% of Group sales. In translated figures, sales in the US increased by 3% to £43.8 million (2021: £42.5 million) with the continued benefit of online channel penetration and new product launches. Sales of our ever popular Spode Christmas Tree range, loved for generations as part of the ritual of family seasonal celebrations, grew strongly as we reached ever more customers through online sales channels and new SKU extensions to the range.

Our UK market is our second largest market and in 2022 accounted for 25% of Group sales at £28.3 million (2021: £32.9 million), a decrease of 14% over the prior year as UK consumers reacted to cost of living pressures.

Sales into South Korea increased to £26.7 million (2021: £18.7 million) and have recovered back to historical levels following the steps we took in 2019/20 to stabilise and maintain sales at a sustainable level in this important market. Sales benefited from our strategy of increasing online channel exposure and the sale of new and different ranges outside of our core Portmeirion Botanic Garden tableware ranges including home fragrance and more contemporary ranges. Portmeirion Botanic Garden remains a hugely popular range in South Korea and ranks as one of the very top 'online search terms' in the tableware category.

## **Products and brands**

Our brands and product ranges are a major economic asset for the Group. Our six major brands -

Portmeirion, Spode, Wax Lyrical, Nambé, Royal Worcester and Pimperlé together have over 750 years of combined history. Their designs are well recognised and loved by consumers around the world.

We have a number of product ranges that have huge longevity and long running customer repeat purchase. Portmeirion Botanic Garden was launched 50 years ago and continues to sell well around the world today. Spode Christmas Tree launched in 1938 is a top US Christmas tableware range. We continue to design new extensions to ensure these ranges remain relevant for consumers and to extend their appeal around the world. Together the two ranges account for approximately 40% of sales and are two of the most successful global tableware ranges, providing the Group with a very reliable base of sales each year.

Additionally, we have a growing portfolio of contemporary product ranges, including Sophie Conran for Portmeirion, and an exciting roadmap of new product planned for launch over the next 18 months.

We are focused on growing both our heritage range sales footprint and increasing our contemporary market share through new product development, increasing online sales channel penetration and developing new geographical markets.

Our Spode brand, which is 252 years old, grew by 4% in 2022 and is now 39% up on 2019 pre Covid levels. We expect Spode to continue to grow in the next 3-5 years.

Our Nambé brand, acquired during 2019, grew by 13% as we continue to execute on sales synergies and is now 17% above its pre-acquisition sales base at constant currency.

Sales from our home fragrance division, Wax Lyrical, fell by 7% as its UK customer base continued to be impacted by Covid and the impact of the cost of living crisis hit consumer spending in the home fragrances category. In the second half of 2022, we acquired the brand of AromaWorks London, which operates in the adjacent health and wellbeing category with customers including Waitrose, Holland and Barrett and Champneys. The acquisition is expected to drive sales and operational synergies from 2023. Further

commentary on our plans to improve the performance of our home fragrance division is set out below.

A list of our current ranges can be found at [www.portmeirion.co.uk](http://www.portmeirion.co.uk) and [www.spode.co.uk](http://www.spode.co.uk). Customers in the United States should go to [www.portmeirion.com](http://www.portmeirion.com) and [www.nambe.com](http://www.nambe.com). Customers in Canada should go to [www.haustopia.com](http://www.haustopia.com).

## **Current Trading & Outlook**

We remain cautious against the backdrop of ongoing economic uncertainty and the impact of world events on consumer spending. However, we have been encouraged by our customer outlook at trade shows around the world in recent weeks including their feedback on our new product pipeline. In addition there are signs that global supply chain disruption and general overstocking in retailers are subsiding. Similarly global shipping costs are trending back to historical levels.

Our sales in the first few months of 2023 are in line with our expectations and forward order books remain healthy.

We are pleased with the strategic progress we have made and remain confident in our long term strategy.

## **Group Strategy**

We believe we have a significant opportunity to grow the sales footprint of our business over the next 3-5 years. We will do that by continuing to develop our key heritage ranges through product extensions and developing new sales channels to reach more customers.

Secondly, we are focused on increasing our market share in contemporary and giftware homewares through developing and launching beautifully designed new products and leveraging these new ranges across our existing global sales infrastructure.

## **Further detail on executing our growth strategy**

1. **Geography** - *building and growing sales markets outside of our three core markets of US, UK and South Korea*

Rest of World sales markets (excluding Russia and Eastern Europe) grew by 6% in 2022 and are 81% up on 2019. Our products are sold in more than 80 countries around the world. Our three core markets of UK, US and South Korea account for 89% of Group sales.

We see a significant opportunity to grow the contribution from 'rest of world' sales markets over the next 3-5 years. In the last two years, we have appointed new distributor partners in China and Malaysia and are excited about the prospects of reaching more customers in these regions.

Sales in our Canadian market grew by 23% in 2022 as we continue to benefit from the acquisition in 2020 of a long-standing joint venture, with the ability to leverage synergies from our North American team.

2. **Online** - *further developing online sales channels in our core markets reaching more potential customers on more occasions*

In our core UK and US markets, sales through online channels now represent 51% (2021: 50%, 2019: 30%). In South Korea we have increased online channel presence in 2022

driving sales growth in this market.

We continue to build long-term direct to consumer relationships through our own ecommerce sites in the UK and US. In the UK we launched new websites in 2022 that will improve customer journey, conversion and our ability to retarget customers for future purchases. In 2022, our own ecommerce sales represented 14.2% of total sales in the UK and US (2021: 14.6%, 2019: 9.7%), which was an 8% reduction on 2021 sales as physical retail reopened, but still up a very healthy 63% on 2019 pre-Covid levels.

Our key Christmas ranges are now more widely available on retailer websites - a key component of our excellent sell through across the recent 2022 seasonal holidays. This in turn provides strong momentum and encouragement for increased retailer buys for 2023.

**3. Designing and launching new product - widening the appeal with our existing customer base and taking market share**

Sales from new product launches and extensions to existing ranges account for over 10% of the Group's sales and we have a strong roadmap of new launches for the next 18 months.

Product launch extensions to our core heritage ranges (Portmeirion Botanic Garden and Spode Christmas Tree) sold well during 2022 and both ranges benefit from significant repeat purchasing as consumers seek to add to their collection. We have already finalised further new product extensions for launch during 2023.

We have an exciting portfolio of contemporary tableware, giftware and home fragrance to launch over the next 12-18 months that we believe will help us take market share in core markets. This includes our Spode Kit Kemp collaboration which launches in April 2023, new stoneware tableware ranges for Portmeirion and new lines for each of our well established Sophie Conran for Portmeirion, Royal Worcester Wrendale Designs and Sara Miller London for Portmeirion ranges.

We were excited to launch home fragrance and hand and body products under our Portmeirion Botanic Garden brand in 2022 and expect these to grow in 2023, particularly in our South Korean market.

**4. Leveraging our brands**

We are working on establishing our Nambé brand outside of its core US market, growing our key Spode Christmas Tree range outside of the US market, leveraging our high organic brand awareness in South Korea over new ranges and on cross sell opportunities to grow basket size for our own ecommerce platforms.

Our Nambé brand grew, again, by 13% on 2021 and is now 17% above 2019 pre-acquisition sales levels at constant currency despite disruption to sales markets from Covid. We continue to expand product ranges and sales distribution channels.

**Further detail on returning our operating margins to 12.5% in the long term**

There is a significant opportunity for us to improve operating margins back to historical highs of 12.5% over the long-term (2022: 7.8%) with a medium-term target of reaching 10%. We will do this by:

**1. Improving productivity in our UK factories through investment in automation to reduce manual handling**



We have accelerated capital investment in our Stoke-on-Trent tableware factory over the past 2 years, investing in automation and projects that reduce manual handling and increase our pieces output per labour hour with a roadmap of further projects for the next 2 years. Average project pay back is 3 years or less and together with our ability to leverage our factory's capacity as we grow sales this will drive up operating margins for the Group.

Productivity in our Stoke-on-Trent factory increased by 2% in 2022 and by 13% versus pre-Covid levels.

## **2. Leveraging our fixed cost base as we grow top line sales**

We see a significant opportunity to further grow our sales footprint over the next 3-5 years which will enable us to leverage spare capacity in our factories and our existing sales and distribution infrastructure around the world.

## **3. Improving the profitability of our home fragrance division back to pre-Covid levels**

Wax Lyrical, our home fragrance division, that manufactures fragranced candles, diffusers and hand and body products in our factory in Cumbria was significantly impacted by the closure of much of its customer base due to Covid. Concentrated in physical retail, the nature of the product meant there was a much lower transition to online sales channels than with our core tableware business. Sales decreased by 8% in 2022 and are still 23% below pre-Covid levels. Due to cost reduction initiatives, profit contribution was £0.5 million better than in 2021, albeit a small loss before tax was incurred and some way short of pre-Covid levels of profitability.

In order to improve factory utilisation we purchased the brand and certain assets of AromaWorks London out of administration in August 2022. By the end of 2022, we had successfully closed the AromaWorks factory and migrated its product lines to be made and absorbed within existing capacity at our Wax Lyrical factory. We expect this will drive better recovery of fixed overheads and, together with commercial product initiatives underway, will return Wax Lyrical to profitability in 2023. We are excited by our new Portmeirion Botanic Garden home fragrance and hand and body ranges that launched during 2022 and expect these new ranges to make a more significant contribution over the coming years.

We expect the home fragrance category to recover over the next few years as the cost of living pressures ease which together with the initiatives above will have a positive impact on the Group's operating margins.

**Dick Steele**  
**Non-executive Chairman**

**Mike Raybould**  
**Chief Executive**

## **Financial Review**

In 2022, the Group continued to progress against our strategic targets, demonstrating a resilient performance against significant macro-economic challenges following the Covid-19 pandemic and the cost of living crisis. Unsurprisingly, all of our major sales markets were impacted to some extent by large increases in energy costs and other inflationary pressures.

Set against this, we continued to invest in our strategy in order to deliver both sales growth and operating margin improvement.

## **Revenue**

Revenue for the year ended 31 December 2022 totalled £110.8 million, an increase of 5% over the prior year (2021: £106.0 million) and 19% above pre-pandemic levels (2019: £92.8 million).

The Group benefited from a small amount of sales from the acquisition of the AromaWorks London brand and intellectual property in August 2022 and the impact of weaker sterling compared to the US dollar, which increased our revenue but not profitability.

Geographical sales performance reflected the benefit of our diversified sales markets, with growth in South Korea and Rest of World markets more than offsetting weaker performance in the UK.

The US, our largest sales market, grew again by 3% to £43.8 million (2021: £42.5 million) which is another record sales performance, albeit benefitting from a favourable retranslation in sterling from US dollars.

UK sales declined by 14% against a challenging retail environment as inflation soared and consumers battled against the rising cost of living.

In South Korea, sales increased by 43% to £26.7 million (2021: £18.7 million) as we expanded our number of ranges and opened new online distribution routes. We continue to monitor sales out data from our distributors and remain confident of further progress going forward in this important market.

Rest of World markets increased to £12.1 million (2021: £12.0 million). Following the outbreak of war in Ukraine, our sales in Eastern Europe were negatively impacted; excluding these markets rest of world sales increased by 6%. Against this, we again performed strongly in Canada and saw growth in China and Malaysia as we began to work with new distribution partners.

## **Profit**

Headline profit before taxation<sup>1</sup> was £8.0 million, an 11% improvement over the 2021 level of £7.2 million and now ahead of the pre-pandemic level in 2019 of £7.4 million. Statutory profit before taxation was £7.0 million (2021: £6.0 million, 2019: £7.1 million).

This improved profit performance was driven by sales growth and operating margin improvement. The major markets in which the Group operates were all impacted by macro-economic factors, with supply chain costs at an all-time high combined with significant labour, material and energy cost inflation. The Group was able to drive efficiency and cost savings in order to balance these challenges, which led to an operating margin improvement from 7.2% to 7.8%.

<sup>1</sup>Headline profit before taxation excludes exceptional items - see note 4.

## **Interest and financing costs**

Finance costs for the Group increased by £0.4 million to £1.0 million (2021: £0.6 million) as borrowings increased and interest rates rose significantly, which both increased the cost of borrowing and the interest on lease liabilities.

With UK interest rates continuing to rise we expect a higher charge in 2023 before falling back to historical levels going forward as long term loans mature.

## **Taxation**

The charge for taxation for the year was £1.4 million (2021: £2.7 million), an effective tax rate of 20% (2021: 46%). The reduced tax charge is mainly due to the one-off impact of the change in UK corporation tax rate from 19% to 25% in the prior year which caused an additional deferred tax charge of £1.1 million.

## **Dividends**

The Board proposes a final dividend of 12.00p per share (2021: 13.00p) giving a total dividend for the year of 15.50p per share (2021: 13.00p). The final dividend is expected to be paid on 30 May 2023 to shareholders on the register on 21 April 2023 with an ex-dividend date of 20 April 2023.

We continue to consider that a dividend at a cover of three times is appropriate in order to balance our ongoing investment behind our growth strategy with providing a positive return to shareholders.

## **Cash generation and net debt**

At 31 December 2022, the Group had net debt of £10.1 million (comprising cash and cash equivalents of £1.7 million less borrowings of £11.8 million). This compares to a net cash balance of £0.7 million at the prior year end.

Operating cash flow was negatively impacted by working capital during the year; operating cash generated was £1.7 million (2021: £8.7 million), the reduction primarily due to a net increase of £9.9 million in inventory over the year (to match our sales demand amongst other factors as explained below).

We continued to invest in our strategic goals and spent a net £6.0 million on capital expenditure as well as acquiring the brand and intellectual property of AromaWorks London in order to drive more scale through our home fragrance factory. The capital expenditure included the installation of automation equipment in our Stoke-on-Trent factory and the development costs of our new UK websites.

## **Bank facilities**

The Group has agreed debt facilities with Lloyds Bank which totaled £27.5 million at the balance sheet date, having extended our facilities during the year in order to provide additional headroom given inflationary supply chain pressures. These facilities consist of a £10.0 million revolving credit facility available until February 2025, a £6.25 million overdraft and a £6.25 million trade finance facility on an annual renewal cycle, and a £10 million term loan repayable by January 2025 of which £5.0 million was outstanding at the year end. The revolving credit facility remained undrawn at 31 December 2022.

Our business remains seasonal due to the second half weighting of our sales. Consistent with previous years, we experienced a working capital swing of around £10.0 million during the year as we built inventory to match our sales demand. At the year end we had available cash and borrowing headroom of £17.4 million. We believe our committed funding lines more than adequately addresses this seasonal dynamic and are prudent.

## **Assets and liabilities**

We had a net working capital outflow of £10.3 million driven by increased inventory over the prior year. About two thirds of this increase was caused by foreign currency retranslation and supply chain cost increases, mainly container freight rates and material increases.

The remainder was early purchasing for additional stock depth of key lines, which meant we exited the year with a higher stock balance. With improving supply chains, we expect stock balances to reduce during 2023 and end the year broadly in line with 2021 volumes.

We continue to make contributions to our closed defined benefit pension scheme and paid £0.9 million during the year.

There has been a significant level of volatility in the pension scheme valuation during 2022, particularly as a result of the UK 'mini-budget' in September which brought particular disruption to bond yields.

At the year end we had an accounting surplus of £0.3 million, which was a reduction from the surplus of £0.9 million reported in 2021. At a gross level, both assets and liabilities fell materially as equities reduced in value and the discount rate used to calculate scheme liabilities, which is based on corporate bond yields, increased significantly. We continue to evaluate ways to de-risk the volatility in the scheme, with a medium-term aim to reach low-dependency.

At the year end we held treasury shares with a book value of £0.4 million in order to satisfy employee share option schemes, which had been bought at an average price of £1.87 per share, equating to 210,282 shares, having used 8,363 during the year. In addition, we also hold 234,523 shares in The Portmeirion Employees' Share Trust. These shares have a book value of £2.7 million, having been bought at an average cost of £11.58 each. The balance of these shares did not move during the year.

Goodwill and intangible assets on our balance sheet largely represent the value of the acquired brands of Spode, Royal Worcester, Wax Lyrical and Nambé, as well as computer software investment including our online webstore and associated infrastructure. The balance of intangible assets increased during the year as we continued to invest in our UK and US websites and systems and acquired the brand and intellectual property of AromaWorks London.

### **Treasury and risk management**

The impact of transactional currency flows on the Group's profit is not material due to the natural matching of revenue and costs across our global businesses. In the year sterling weakened against both the US dollar and euro, which increases our sterling revenue upon retranslation but this had no material impact on Group profit.

When any anticipated exposure arises, our policy is to use appropriate hedging instruments to mitigate that risk. We have a robust approach to managing risk to deliver our strategy as explained in our annual report and accounts.

**David Sproston**  
**Group Finance Director**

## **CONSOLIDATED INCOME STATEMENT**

**For the year ended 31 December 2022**

	Notes	2022 £'000	2021 £'000
<b>Revenue</b>	<b>3</b>	<b>110,820</b>	106,018
Operating costs before exceptionals		<b>(102,154)</b>	(98,375)
<b>Headline operating profit<sup>1</sup></b>		<b>8,666</b>	7,643
Exceptional items	<b>4</b>		
- restructuring costs		<b>(958)</b>	(1,036)
- acquisition costs		<b>(76)</b>	-
- GMP equalisation		-	(197)
<b>Operating profit</b>		<b>7,632</b>	6,410
Interest income		<b>29</b>	12
Finance costs	<b>5</b>	<b>(956)</b>	(580)
Profit on sale of fixed assets		-	120
Other income		<b>265</b>	-
<b>Headline profit before tax<sup>1</sup></b>		<b>8,004</b>	7,195
Exceptional items	<b>4</b>		
- restructuring costs		<b>(958)</b>	(1,036)
- acquisition costs		<b>(76)</b>	-
- GMP equalisation		-	(197)
<b>Profit before tax</b>		<b>6,970</b>	5,962
Tax		<b>(1,415)</b>	(2,721)
<b>Profit for the year attributable to equity holders</b>		<b>5,555</b>	3,241
<b>Earnings per share</b>	<b>2</b>		
Basic		<b>40.39p</b>	23.58p
Diluted		<b>40.35p</b>	23.49p
<b>Headline earnings per share</b>	<b>2</b>		
Basic		<b>46.59p</b>	38.85p
Diluted		<b>46.54p</b>	38.71p
<b>Dividends proposed and paid per share</b>	<b>6</b>	<b>15.50p</b>	13.00p

All the above figures relate to continuing operations.

<sup>1</sup> Headline operating profit is statutory operating profit of £7,632,000 (2021: £6,410,000) add exceptional items of £1,034,000 (2021: £1,233,000). Headline profit before tax is statutory profit before tax of £6,970,000 (2021: £5,962,000) add exceptional items of £1,034,000 (2021: £1,233,000).

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**For the year ended 31 December 2022**

	2022 £'000	2021 £'000
Profit for the year	<b>5,555</b>	3,241
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Remeasurement of net defined benefit pension scheme liability	<b>(1,517)</b>	2,505
Deferred tax relating to items that will not be reclassified subsequently to profit or loss	<b>380</b>	267
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<b>2,466</b>	64
Deferred tax relating to items that may be reclassified subsequently to profit or loss	-	45
<b>Other comprehensive income for the year</b>	<b>1,329</b>	2,881

<b>Total comprehensive income for the year attributable to equity holders</b>	<b>6,884</b>	6,122
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## CONSOLIDATED BALANCE SHEET

31 December 2022

	2022 £'000	2021 £'000
<b>Non-current assets</b>		
Goodwill	9,416	8,978
Intangible assets	8,581	7,126
Property, plant and equipment	16,842	14,398
Right-of-use assets	5,869	6,409
Pension scheme surplus	317	910
<b>Total non-current assets</b>	<b>41,025</b>	<b>37,821</b>
<b>Current assets</b>		
Inventories	41,117	29,224
Trade and other receivables	19,887	19,243
Current income tax asset	792	662
Cash and cash equivalents	1,681	7,616
<b>Total current assets</b>	<b>63,477</b>	<b>56,745</b>
<b>Total assets</b>	<b>104,502</b>	<b>94,566</b>
<b>Current liabilities</b>		
Trade and other payables	(16,469)	(16,245)
Lease liabilities	(1,696)	(1,695)
Borrowings	(8,789)	(1,986)
<b>Total current liabilities</b>	<b>(26,954)</b>	<b>(19,926)</b>
<b>Non-current liabilities</b>		
Deferred tax liability	(3,230)	(2,609)
Lease liabilities	(4,654)	(5,119)
Borrowings	(2,981)	(4,965)
<b>Total non-current liabilities</b>	<b>(10,865)</b>	<b>(12,693)</b>
<b>Total liabilities</b>	<b>(37,819)</b>	<b>(32,619)</b>
<b>Net assets</b>	<b>66,683</b>	<b>61,947</b>
<b>Equity</b>		
Called up share capital	710	710
Share premium account	18,344	18,344
Investment in own shares	(3,108)	(3,124)
Share-based payment reserve	148	128
Translation reserve	3,652	1,186
Retained earnings	46,937	44,703
<b>Total equity</b>	<b>66,683</b>	<b>61,947</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

Share capital £'000	Share premium account £'000	Investment in own shares £'000	Share-based payment reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
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At 1 January 2021	710	18,344	(3,140)	152	1,077	38,566	55,709
Profit for the year	-	-	-	-	-	3,241	3,241
Other comprehensive income for the year	-	-	-	-	109	2,772	2,881
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>109</b>	<b>6,013</b>	<b>6,122</b>
Increase in share-based payment reserve	-	-	-	64	-	-	64
Transfer on exercise or lapse of options	-	-	-	(88)	-	88	-
Shares issued under employee share schemes	-	-	16	-	-	(16)	-
Deferred tax on share-based payment	-	-	-	-	-	52	52
<b>At 1 January 2022</b>	<b>710</b>	<b>18,344</b>	<b>(3,124)</b>	<b>128</b>	<b>1,186</b>	<b>44,703</b>	<b>61,947</b>
Profit for the year	-	-	-	-	-	5,555	5,555
Other comprehensive income for the year	-	-	-	-	2,466	(1,137)	1,329
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,466</b>	<b>4,418</b>	<b>6,884</b>
Dividends paid	-	-	-	-	-	(2,269)	(2,269)
Increase in share-based payment reserve	-	-	-	91	-	-	91
Transfer on exercise or lapse of options	-	-	-	(71)	-	71	-
Shares issued under employee share schemes	-	-	16	-	-	(16)	-
Deferred tax on share-based payment	-	-	-	-	-	30	30
<b>At 31 December 2022</b>	<b>710</b>	<b>18,344</b>	<b>(3,108)</b>	<b>148</b>	<b>3,652</b>	<b>46,937</b>	<b>66,683</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 £'000	2021 £'000
<b>Operating profit</b>	<b>7,632</b>	6,410
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	1,810	1,652
Depreciation of right-of-use assets	1,881	1,933
Amortisation of intangible assets	813	698
Charge for share-based payments	91	64
Charge for GMP equalisation	-	197
Exchange (loss)/gain	(559)	36
Loss on sale of tangible fixed assets	251	17

<b>Operating cash flows before movements in working capital</b>	<b>11,919</b>	11,007
Increase in inventories	(9,869)	(2,071)
Decrease/(increase) in receivables	239	(3,960)
(Decrease)/increase in payables	(643)	3,707
<b>Cash generated from operations</b>	<b>1,646</b>	8,683
Contributions to defined benefit pension scheme	(900)	(1,350)
Interest paid	(686)	(368)
Income taxes paid	(300)	(461)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(240)</b>	6,504
<b>Investing activities</b>		
Interest received	5	12
Purchase of property, plant and equipment	(4,093)	(4,511)
Proceeds from disposal of property, plant and equipment	-	786
Purchase of intangible assets	(1,933)	(843)
Other income	265	-
Acquisition of subsidiary	(821)	-
<b>Net cash outflow from investing activities</b>	<b>(6,577)</b>	(4,556)
<b>Financing activities</b>		
Equity dividends paid	(2,269)	-
Principal elements of lease payments	(1,864)	(1,927)
Drawdown of short term borrowings	6,803	-
Repayments of borrowings	(2,000)	(4,000)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>670</b>	(5,927)
Net decrease in cash and cash equivalents	(6,147)	(3,979)
Cash and cash equivalents at beginning of year	7,616	11,590
Effect of foreign exchange rate changes	212	5
<b>Cash and cash equivalents at end of year</b>	<b>1,681</b>	7,616

## NOTES TO THE PRELIMINARY RESULTS

**1.** This announcement was approved by the Board of Directors on 22 March 2023.

**1.1** The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2022 or 2021, but is derived from those accounts. Statutory accounts for 2021 have been delivered to the Registrar of Companies and those for 2022 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Sections 498(2) or (3) of the Companies Act 2006.

**1.2** For the year ended 31 December 2022 the Group has prepared its annual report and accounts in accordance with accounting standards in conformity with the requirements of the Companies Act 2006 (International Financial Reporting Standards).

This financial information has been prepared in accordance with the accounting policies stated in the Group's financial statements for the year ended 31 December 2022.

The financial statements have been prepared on the historical cost basis, with the exception of derivative financial instruments which are stated at their fair value.

**1.3** At the year end the Group had net debt of £10.1 million (comprising cash and cash equivalents of £1.7 million less borrowings of £11.8 million) and had unutilised bank facilities with available funding of £15.7 million. Operating cash generation was impacted during the year by an adverse working capital



movement and was therefore £1.6 million (2021: £8.7 million), although we expect this movement to largely reverse in 2023.

The Group sells into over 80 countries worldwide and has a spread of customers and sales channels within its major UK and US markets with adequate credit insurance cover in export markets where required. The Group manufactures approximately 38% of its products and sources the remainder from a range of third-party suppliers.

There remains ongoing challenges in our sales markets around the world caused by the negative impact of the cost of living crisis, but the Group's performance continues to remain resilient and we are well diversified with significant funding headroom available.

The Group has also produced a sensitivity analysis to its cash flow forecast based upon possible downside scenarios. We have modelled a 10% sales reduction to assess the potential impact of a significant downturn in trading performance similar to the reduction experienced in 2020 during the Covid-19 pandemic and is therefore considered a very prudent case. This demonstrated the Group still has sufficient headroom within borrowing facilities and loan covenants.

We have also considered a reverse stress-tested scenario to try and assess the amount of sales reduction required before the Group begins to approach maximum facility and covenant headroom. This demonstrated sales could reduce by more than 20% before we breached facility limits or any covenants.

After making enquiries and reviewing budgets and forecasts for the Group, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

## NOTES TO THE PRELIMINARY RESULTS

### Continued

#### 2. Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

	<b>Earnings £'000</b>	<b>2022 Weighted average number of shares</b>	<b>Earnings per share (pence)</b>	<b>Earnings £'000</b>	<b>2021 Weighted average number of shares</b>	<b>Earnings per share (pence)</b>
Basic earnings per share	<b>5,555</b>	<b>13,753,233</b>	<b>40.39</b>	3,241	13,747,450	23.58
Effect of dilutive securities: employee share options	-	<b>14,773</b>	-	-	49,235	-
Diluted earnings per share	<b>5,555</b>	<b>13,768,006</b>	<b>40.35</b>	3,241	13,796,685	23.49
	<b>Earnings</b>	<b>2022</b>	<b>Earnings</b>	<b>Earnings</b>	<b>2021</b>	<b>Earnings</b>

	£'000	Weighted average number of shares	per share (pence)	£'000	Weighted average number of shares	per share (pence)
Headline basic earnings per share	<b>6,407</b>	<b>13,753,233</b>	<b>46.59</b>	5,341	13,747,450	38.85
Effect of dilutive securities: employee share options	-	<b>14,773</b>	-	-	49,235	-
Headline diluted earnings per share	<b>6,407</b>	<b>13,768,006</b>	<b>46.54</b>	5,341	13,796,685	38.71

The calculation of basic and diluted headline earnings per share is based on the following data:

	2022 £'000	2021 £'000
Profit for the year attributable to equity holders	<b>5,555</b>	3,241
Add back/(deduct):		
Exceptional items	<b>1,034</b>	1,233
Tax effect of exceptional items	<b>(182)</b>	(223)
Exceptional impact of remeasuring deferred tax balances from 19% to 25%	-	1,090
Headline earnings	<b>6,407</b>	5,341

## NOTES TO THE PRELIMINARY RESULTS

### Continued

### 3. Segmental analysis

The following tables provide an analysis of the Group's revenue by operating segment and geographical market, irrespective of the origin of the products:

	2022 £'000	2021 £'000
<b>Operating segment</b>		
UK	<b>59,753</b>	59,686
North America	<b>51,067</b>	46,332
	<b>110,820</b>	106,018

	2022 £'000	2021 £'000
<b>Geographical market</b>		
United Kingdom	<b>28,255</b>	32,871
United States	<b>43,783</b>	42,492
South Korea	<b>26,656</b>	18,680
Rest of the World	<b>12,126</b>	11,975
	<b>110,820</b>	106,018

### 4. Exceptional items

Exceptional items by type are as follows:

	2022 £'000	2021 £'000
Restructuring costs	<b>958</b>	1,036

Acquisition costs	<b>76</b>	-
GMP equalisation costs	-	197
	<b>1,034</b>	1,233

## 5. Finance costs

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Interest paid	<b>686</b>	361
Interest on lease liabilities	<b>270</b>	192
Net interest expense on pension scheme asset	-	27
	<b>956</b>	580

## NOTES TO THE PRELIMINARY RESULTS

### Continued

## 6. Dividends

The Directors recommend that a final dividend for 2022 of 12.00p (2021: 13.00p) per ordinary share be paid. The final dividend will be paid, subject to shareholders' approval, on 30 May 2023, to shareholders on the register at the close of business on 21 April 2023. This dividend has not been included as a liability in these financial statements. The total dividend paid and proposed for the year is 15.50p per share (2021: 13.00p).

## 7. Reconciliation of earnings before interest, tax, depreciation and amortisation (EBITDA)

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Operating profit	<b>7,632</b>	6,410
Add back:		
Depreciation	<b>3,691</b>	3,585
Amortisation	<b>813</b>	698
Earnings before interest, tax, depreciation and amortisation	<b>12,136</b>	10,693

## 8. Government grants

Government grants were receivable as part of Government initiatives to provide financial support as a result of Covid-19 lockdowns. There are no future related costs in respect of these grants which are receivable solely as compensation for past expenses.

In the prior year, the Group received funding from the UK Government's 'Coronavirus Job Retention Scheme' and retail support grants, the US Government's 'Paycheck Protection Programme' and the Canadian Government's 'Emergency Wage Subsidy'. In total this support amounted to £316,000 and was included as a credit within operating costs. There were no related credits in 2022.

## NOTES TO THE PRELIMINARY RESULTS

### Continued

## 9. Acquisition of AromaWorks trade and assets

On 12 August 2022, the Group acquired 100% of the trade and assets of AromaWorks for a net consideration of £821,000.

The acquisition provides the Group with additional scale in the home fragrance market and strategically complements its existing home fragrance operation.

The acquisition terms do not include any contingent consideration or deferred consideration arrangements. Details of the total consideration and the provisional fair values of the assets and liabilities acquired are as follows:

	<b>Net assets acquired £'000</b>	<b>Fair value adjustment £'000</b>	<b>Initial fair value of assets acquired £'000</b>
Inventory	268	(117)	151
Identifiable intangible assets	309	-	309
Deferred tax on intangible assets	(77)	-	(77)
<b>Total identifiable assets</b>	<b>500</b>	<b>(117)</b>	<b>383</b>
<b>Goodwill</b>		<b>438</b>	<b>438</b>
<b>Total consideration</b>			<b>821</b>
			£'000
<i>Satisfied by:</i>			
Cash and cash equivalents			821
<b>Total consideration transferred</b>			<b>821</b>

Consideration consists of £438,000 paid to the administrators for the trade and assets of AromaWorks. The remaining consideration includes contributions made to suppliers and customers to ensure ongoing trade.

The goodwill of £438,000 arising from the acquisition consists of the anticipated synergies of combining the existing Group operations with those of AromaWorks. This will include shared product development, distribution channels, access to new customers and other operational synergies.

Acquisition related costs (included in exceptional costs) amounted to £76,000.

AromaWorks contributed £731,000 revenue and £49,000 profit before tax for the period between the date of acquisition and the balance sheet date.

## **NOTES TO THE PRELIMINARY RESULTS**

### **Continued**

#### **10. Post balance sheet events**

There are no post balance sheet events.

#### **11. Availability of annual report and accounts**

The accounts for the year ended 31 December 2022 will be posted to shareholders on or before 14 April 2023 and laid before the Company at the Annual General Meeting on 23 May 2023. Copies will be available from the Company Secretary at Portmeirion Group PLC, London Road, Stoke-on-Trent, Staffordshire, ST4 7QQ, or from the website [www.portmeiriongroup.com](http://www.portmeiriongroup.com).

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