



JAMES HALSTEAD PLC

Released 07:00:05 27 March 2024

RNS Number : 40131

27 March 2024

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INTERIM RESULTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

Strong H1 profitability and record interim dividend; solid margins and profit performance continue into H2.

Key Figures

James Halstead plc, the AIM listed manufacturer and international distributor of floor coverings, announces its results for the six months ended 31 December 2023:

Financial highlights

- Revenue at £136.5 million (2022: £149.6 million)
- Operating profit at £26.2 million (2022: £23.1 million)
- Pre-tax profit at £27.4 million (2022: £23.2 million)
- Basic earnings per ordinary share 4.8p (2022: 4.3p)
- Interim dividend declared of 2.50p (2022: 2.25p)
- Cash of £62.4 million (2022: £44.3 million)

The Chief Executive, Mr. Mark Halstead, commented:

“Against difficult markets we have raised profits and are confidently growing our export of UK manufactured goods across the globe. Once again, we have declared a record interim dividend to shareholders to reward their continued investment”.

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CHAIRMAN'S STATEMENT

Trading for the six months ended 31 December 2023

Sales revenue of £136.5 million (2022: £149.6 million) was 8.8% lower than the prior year, primarily due to recessionary pressures in several major markets and delays in the rebuilding of our UK manufactured flooring export markets.

Profit before tax of £27.4 million (2022: £23.2 million) is 18% ahead of the comparative period, driven partly by higher rates of interest received on cash deposits and more importantly by increased operating profit which was 13.6% ahead of the prior year.

The turnover shortfalls relative to the comparative period were: Europe -15%, Australasia -13% and the UK -5%. The rest of the world showed 4% growth. The key growth areas were South America (+36%), the Middle East (+26%) and the Mediterranean (+22%).

Lack of availability of raw materials, lack of timely shipping and labour restrictions hampered export of manufactured goods significantly in calendar year 2021 and 2022. However, it is pleasing to see that the various bottlenecks that affected our exports in prior years are now largely cleared, and we have been focused on restoring the project pipeline in order to facilitate sales growth in certain markets.

Margins have improved as manufacturing output increased significantly compared to the comparative period, up 62%. Gross margins in all major markets improved as productivity improvements in manufacturing output were realised and with a product shift to higher added value ranges. Exceptions to this general improvement were New Zealand, Malaysia and India where we were not able to fully recoup the added cost of transport of goods to these markets in late 2022 and early 2023 through price increases. However, the transportation cost fell steadily from March 2023 onwards to near normal levels by December 2023.

Our UK businesses (Polyflor and Riverside) fared well with manufacturing efficiencies through increased output more than offsetting the slightly lower sales in the UK. Exports from the UK to our own subsidiaries were much higher than the comparatives (principally Australia, New Zealand and Canada) and will translate into external sales as the stock arrives locally.

The principal area of sales shortfall against the prior year was in the product group of luxury vinyl tiles which was unsurprising given these ranges cross into the domestic consumer market. In the UK our sales model is to supply product in breadth and depth via the distribution trade whilst maintaining sales communication with the end customer and the flooring contractors. Our distribution customers often also supply domestic flooring of which the largest component is historically carpet, where consumer confidence and spending has suffered in recent years. Notwithstanding these difficulties, there is growth in the distribution trade and we continue to focus on this route to our end customers. The polyvinyl solution for flooring continues to increase its share of the market. The durability, cleanability and recyclability of vinyl combined with the cost, design choice and availability are key to the success of our flooring ranges.

Our German and Central European businesses are operating in an economic climate characterised by great uncertainty. Despite the difficulty in achieving sales, the underlying profit mix is favourable and profit has held up very well. The retail-shop refurbishment market, which has been a core strength, has suffered as many retail chains are facing challenging consumer demand and consequently renovation and new store opening plans

are in many cases on hold. Notwithstanding this, we have delivered several key projects such as the “New Yorker”, “Tom Tailor” and “Smyths Toy” store chains across the DACH region alongside projects such as the Papenburg Meyer shipyard, Marseille Airport duty free area and the new Lidl HQ in France. Despite softening demand in the European market, price increases were implemented in early 2023 and the product mix generally improved with higher value commercial ranges generally selling better than the “semi-commercial” / heavy domestic products. Objectfloor were the recipients of the German flooring contractors association’ (Netzwerk Boden) flooring project of the year for POHA House in Aachen, a listed building converted to living / work accommodation.

Canada faced a difficult trading climate with delayed construction projects and constrained budgets due to inflationary pressures. Nevertheless, like-for-like sales, in local currency, increased by 9%. Key projects such as the renovation of Rexell Pharmacy’s stores and the Terra Hill Medical Centre are just two examples of installations in this market. As with other regions, margins improved and the net profit in Canada was over 50% higher (a record level).

Sales in the APAC region were mixed with New Zealand showing a modest growth (4%) in same currency, Malaysia was on a par with the comparative, Australia saw a 9% reduction and China down around 10%. Market conditions in New Zealand were difficult with the housing market facing an almost 40% decline in new builds. Despite this, our business was successful in driving sales into social housing initiatives. Range consolidation to ensure greater stocks in narrower colour/design options is helping to focus the commercial sales team on projects. Australia also faced challenges, most notably in the effects of interest rate rises on consumer confidence and a much decreased level of retail footfall, the latter having an effect on the rate of retail store refurbishment and expansion. In addition, there were delays / deferment of government social housing initiatives. Stock shortages in the early part of the period were also an issue due to the shipping delays of the prior year. Nevertheless, Australia and New Zealand continued to supply projects such as the Footscray Hospital in Victoria and the Takanaki Base Hospital in New Plymouth.

We continue to make progress in Malaysia and South Asia. Fresh stock from Polyflor in the UK is starting to bolster margins and orders have been secured from projects not only in Malaysia but also Singapore, Indonesia and Vietnam.

North Asia, notably China, Hong Kong and South Korea continue to fall short of pre pandemic levels of sales as these markets suffered the worst of the supply chain issues from UK manufacturing sites throughout 2021-2022. Our North Asian team are rebuilding customer confidence with several key projects targeted.

Projects such as Nhan Le Kindergarten Hospital and the National Childrens Hospital (both in Vietnam), Sunway Hospital in Selangor, Malaysia and Skol4kds Childcare Centres in Singapore all continue our long association with the region. This can only deepen as The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) free trade agreement progresses to full ratification during 2024. UK manufactured products have always been welcomed in these markets and any trade agreement can only accentuate ongoing trade.

In the rest of the world, we delivered a myriad of projects from the Vox Cinemas in Kuwait to Coomeva Medicina Prepagada in Colombia.

Earnings per share and dividend

Since the start of the financial year we have distributed £24.0 million in dividends and paid corporation taxes of £8.2 million. In addition, capital expenditure over the same period was £2.1 million. The cash inflow from operations at £33.6 million significantly exceeds last year (2022: £22.7 million). Our cash, which stands at £62.4 million as of 31 December 2023 compared with £44.3 million at 31 December 2022, continues to be a key strength.

Having regard to our cash and profitability, we have decided to declare an interim dividend of 2.50p per share (2022: 2.25p), an increase of 11.1%. This dividend will be payable on 14 June 2024 to those shareholders on the register as at 17 May 2024.

Current trading and outlook

The breadth and depth of our projects across the globe continue to drive a diverse sales mix, from the renovation of the Novopecherska Primary school, in Kyiv, Hospital El Salvador, the major hospital in Chile, the UN Offices in Nairobi, Kenya to the Unimed Hospitals in Brazil. The recent disruption to shipping in the Red Sea has, to a degree, lengthened delivery times and increased costs which is complicating exports to our APAC markets and frustrating (to a small degree) the return to pre-pandemic norms for freight in respect of availability and cost.

The shortfall in sales against the comparative in the first six months to 31 December 2023 was largely attributed to lower consumer confidence in major markets and delays in rebuilding supply to export markets. In January and February, sales of manufactured goods are in line with last year's record comparatives and overall, UK activity is showing improved confidence against the last six months. In Europe there is a similar zeitgeist of positive sentiment. Similarly, export markets continue to show positive prospects for growth as our sales teams continue quoting on projects, with our highly regarded ranges of flooring, for timely delivery, around the world.

Margins remain solid and overheads are contained within inflationary parameters. Consequently, the improved first half profitability continues into the early months of the second half of the year. I, and the board, remain confident of making further progress.

Anthony Wild
Chairman
27 March 2024

Consolidated Income Statement for the half-year ended 31 December 2023

	Half-year ended 31.12.23 £'000	Half-year ended 31.12.22 £'000	Year ended 30.06.23 £'000
Revenue	136,451	149,638	303,562
Operating profit	26,213	23,085	51,611
Finance income	1,339	230	748
Finance cost	(156)	(95)	(260)
Profit before income tax	27,396	23,220	52,099
Income tax expense	(7,317)	(5,176)	(9,695)
Profit for the period	20,079	18,044	42,404
Earnings per ordinary share of 5p:			
- basic	4.8p	4.3p	10.2p
- diluted	4.8p	4.3p	10.2p

All amounts relate to continuing operations.

Details of dividends paid and declared/proposed are given in note 4.

Consolidated Statement of Comprehensive Income for the half-year ended 31 December 2023

	Half-year ended 31.12.23 £'000	Half-year ended 31.12.22 £'000	Year ended 30.06.23 £'000
Profit for the period	20,079	18,044	42,404
Other comprehensive income net of tax:			
Remeasurement of the net defined benefit liability	(959)	(4,948)	(7,237)
Foreign currency translation differences	439	63	(1,818)
Fair value movements on hedging instruments	(1,086)	(1,297)	(135)
Other comprehensive income for the period net of tax	(1,606)	(6,182)	(9,190)
Total comprehensive income for the period	18,473	11,862	33,214
Attributable to equity holders of the parent	18,473	11,862	33,214

Consolidated Balance Sheet

as at 31 December 2023

	Half-year ended 31.12.23 £'000	Half-year ended 31.12.22 £'000	Year ended 30.06.23 £'000
Non-current assets			
Intangible assets	3,232	3,232	3,232
Property, plant and equipment	36,116	36,265	35,887
Right of use assets	6,804	8,914	7,164
Retirement benefit obligations	-	499	-
Deferred tax	118	236	114
	46,270	49,146	46,397
Current assets			
Inventories	83,118	93,863	87,440
Trade and other receivables	35,623	39,053	46,979
Derivative financial instruments	60	286	773
Current tax	1,012	-	699
Cash and cash equivalents	62,420	44,325	63,222
	182,233	177,527	199,113
Total assets	228,503	226,673	245,510
Current liabilities			
Trade and other payables	49,173	49,788	60,738
Derivative financial instruments	735	1,406	213
Current tax	-	2,198	422
Lease liabilities	2,586	2,906	2,696
	52,494	56,298	64,069
Non-current liabilities			
Retirement benefit obligations	2,240	-	1,460
Other payables	408	432	400
Lease liabilities	4,359	6,093	4,582
Preference shares	200	200	200
Deferred tax	62	1,425	585
	7,269	8,150	7,227
Total liabilities	59,763	64,448	71,296
Net assets	168,740	162,225	174,214
Equity			
Equity share capital	20,838	20,838	20,838
Equity share capital (B shares)	160	160	160
	20,998	20,998	20,998
Share premium account	13	13	13
Currency translation reserve	4,533	5,975	4,094
Hedging reserve	(280)	(356)	806
Retained earnings	143,476	135,595	148,303
Total equity attributable to shareholders of the parent	168,740	162,225	174,214

Consolidated Cash Flow Statement

for the half-year ended 31 December 2023

	Half-year ended 31.12.23 £'000	Half-year ended 31.12.22 £'000	Year ended 30.06.23 £'000
Profit for the period	20,079	18,044	42,404
Income tax expense	7,317	5,176	9,695
Profit before income tax	<u>27,396</u>	23,220	52,099
Finance cost	156	95	260
Finance income	<u>(1,339)</u>	(230)	(748)
Operating profit	26,213	23,085	51,611
Depreciation of property, plant & equipment	1,859	1,712	3,461
Depreciation of right of use assets	1,496	1,578	3,060
Profit on sale of property, plant and equipment	(20)	(26)	(84)
Defined benefit pension scheme service cost	-	154	178
Defined benefit pension scheme employer contributions paid	(531)	(975)	(1,942)
Change in fair value of financial instruments	-	(564)	(776)
Share based payments	16	12	26
Decrease in inventories	4,832	19,008	22,966
Decrease in trade and other receivables	11,669	11,975	3,031
(Decrease) in trade and other payables	<u>(11,961)</u>	<u>(33,225)</u>	<u>(20,365)</u>
Cash inflow from operations	33,573	22,734	61,166
Taxation paid	<u>(8,234)</u>	<u>(4,957)</u>	<u>(11,900)</u>
Cash inflow from operating activities	<u>25,339</u>	<u>17,777</u>	<u>49,266</u>
Interest received	1,339	99	467
Purchase of property, plant and equipment	(2,058)	(1,143)	(2,854)
Proceeds from disposal of property, plant and equipment	38	47	134
Cash outflow from investing activities	<u>(681)</u>	<u>(997)</u>	<u>(2,253)</u>
Interest paid	(10)	(7)	(36)
Lease interest paid	(114)	(88)	(224)
Lease capital paid	(1,474)	(1,573)	(3,015)
Equity dividends paid	(23,963)	(22,921)	(32,298)
Shares issued	-	14	14
Cash outflow from financing activities	<u>(25,561)</u>	<u>(24,575)</u>	<u>(35,559)</u>
Net (decrease) / increase in cash and cash equivalents	<u>(903)</u>	<u>(7,795)</u>	11,454
Effect of exchange differences on cash and cash equivalents	101	(24)	(376)
Cash and cash equivalents at start of period	63,222	52,144	52,144
Cash and cash equivalents at end of period	<u>62,420</u>	<u>44,325</u>	<u>63,222</u>

Notes to the Interim Results

for the half-year ended 31 December 2023

1. Basis of preparation

The interim financial statements are unaudited and do not constitute statutory accounts as defined within the Companies Act 2006.

The principal accounting policies applied in the preparation of the consolidated interim statements are those set out in the annual report and accounts for the year ended 30 June 2023.

The figures for the year ended 30 June 2023 are an abridged statement of the group audited accounts for that year. The financial statements for the year ended 30 June 2023 were audited and have been delivered to the Registrar of Companies.

As is permitted by the AIM rules, the directors have not adopted the requirements of IAS 34 'Interim Financial Reporting' in preparing the interim financial statements. Accordingly the interim financial statements are not in full compliance with IFRS.

2. Taxation

Income tax has been provided at the rate of 26.7% (2022: 22.3%).

3. Earnings per share

	Half-year ended 31.12.23 £'000	Half-year ended 31.12.22 £'000	Year ended 30.06.23 £'000
Profit for the period	20,079	18,044	42,404
Weighted average number of shares in issue	416,754,052	416,751,498	416,752,764
Dilution effect of outstanding share options	33,687	23,830	21,390
Diluted weighted average number shares	416,787,739	416,775,328	416,774,154
Basic earnings per 5p ordinary share	4.8p	4.3p	10.2p
Diluted earnings per 5p ordinary share	4.8p	4.3p	10.2p

4. Dividends

	Half-year ended 31.12.23 £'000	Half-year ended 31.12.22 £'000	Year ended 30.06.23 £'000
Equity dividends paid:			
Final dividend for the year ended 30 June 2022	-	22,921	22,921
Interim dividend for the year ended 30 June 2023	-	-	9,377
Final dividend for the year ended 30 June 2023	23,963	-	-
	23,963	22,921	32,298

Equity dividends declared/proposed after the end of the period:

Interim dividend	10,419	9,377	-
Final dividend	-	-	23,963

Equity dividends per share, paid and declared/proposed are as follows:

5.50p final dividend for the year ended 30 June 2022, paid on 16 December 2022

2.25p interim dividend for the year ended 30 June 2023, paid on 9 June 2023

5.75p final dividend for the year ended 30 June 2023, paid on 15 December 2023

2.50p interim dividend for the year ended 30 June 2024, payable on 14 June 2024, to those shareholders on the register at 17 May 2024

6. Copies of the interim results

Copies of the interim results have been sent to shareholders who requested them. Further copies can be obtained from the Company's registered office, Beechfield, Hollinhurst Road, Radcliffe, Manchester, M26 1JN and on the Company's website at www.jameshalstead.com.