Business performance

Revenue

Revenue for the Group of £72.8 million is an excellent performance for the year, representing a year-on-year increase of £13.5 million (2021: £59.3 million) of which organic growth was 8% (£4.8 million).

This result demonstrates momentum across the business, mitigating short-term challenges due to the ongoing restrictions in China arising from COVID-19. Printhead revenue was down £1.1 million year-on-year, although outside China it increased 10%, and EPS increased revenue by 41% (24% in USD). This performance across the business demonstrates the positive customer engagement and trust that is being regained across our customer base.

Group revenues were £36.6 million in the first half of the year and £36.2 million in the second half. This reflects the consistent performance of EPS, which has offset the impact on Printhead revenue of the restrictions in China in the second half of the year.

Revenue from the Americas grew year-on-year across the Group, rising £12.6 million (2022: £36.2 million, 2021: £23.6 million). The increase, driven by the recovery in EPS revenue, along with strong growth in US printhead sales demonstrates the wider geographic opportunity that exists for the business.

Performance in Asia, and China in particular, has been impacted by the ongoing COVID-19 restrictions in China, which has resulted in revenue declining from £12.0 million in 2021 to £8.2 million. The restrictions have delayed product development and sales for our customers and consequently sales of printheads for Xaar. As this region has been a key driver for growth in Printhead in the previous two years, the impact in the second half of 2022 has been significant. However, the work we have done in the last two years to re-engage Chinese Ceramics OEM customers means they understand and are interested in our new products and roadmap. Accordingly, we are well placed to meet the high demand in the region as the COVID restrictions are lifted.

Revenue in EMEA has increased from £23.7 million to £28.4 million driven by our wider product offering through FFEI and Megnajet, contributing to an increase for the Group of £4.7 million (20%).

Table A – Group revenue growth

£m	2022	2021	Var %
Printhead	**39.0**	40.1	-3%
EPS	**19.6**	13.9	41%
FFEI	**5.5**	5.3	4%
Organic growth 2022 vs 2021	**64.1**	59.3	8%
FFEI	**6.1**	–	–
Megnajet	**2.6**	–	–
Inorganic growth 2022 vs 2021	**8.7**	–	–
Total growth	**72.8**	59.3	23%

Printhead revenue for the year fell by £1.1 million to £39.0 million (2021: £40.1 million). The second half of 2022 saw revenue decrease by 8% (£1.6 million) compared to H2 2021 (£19.9 million), following growth of £0.5 million in the first half of the year. This is due to the impact of customers based in China predominantly in the Ceramics sector. Our technology offering proved successful in a wider number of other sectors, which has partially mitigated this decrease.

Growth in the year was achieved in 3D Printing, Coding and Marking (C&M) and Décor sectors. This is pleasing as it further proves our core technology can be successful in many applications and our customers increasingly benefit from the advantages our technology brings. Despite revenue in the Ceramics and Glass sector declining £2.0 million (11%) we have not lost market share during the year as the fall can be attributed to the reduction in orders received by our OEMs in China themselves. We have been able to consistently demonstrate our clear technology advantages in the Chinese Ceramics market, where we have regained trust with our customers. We have also established a market leading position in the Glass sector. Together with our extended product portfolio we expect to return to growth in this sector during 2023 as the negative external market factors subside.

Coding and Marking (C&M) and Direct-to-Shape (DTS) revenues have grown by £1.5 million (14%), further demonstrating our ability to expand our market reach with a wider product offering.

An increasingly exciting opportunity for us is the 3D printing market, and we expect this sector to grow significantly in the future. Revenue in 3D Printing and Advanced Manufacturing (AVM) together grew £1.5 million (62%) in 2022.

Both 3D Printing and AVM are markets where we are well positioned to take advantage of growth opportunities, and although development cycles can be long, which means extended timescales for a customer to reach full production, the market opportunity is significant.

Wide Format Graphics (WFG) and Labels revenue fell in the year from £6.2 million to £4.8 million. This is an area which has also been impacted with delays in orders, largely COVID-19 related, and we also need further product development.

Revenues from Packing & Textiles remain modest. Our ability to target this sector effectively has been somewhat limited by our product range, although the launch of the Aquinox printhead will start to address this. However, advancements in the product portfolio driven by the ImagineX platform should make this large sector more accessible in the future. Full year revenue of £0.5 million was down year-on-year (2021: £0.8 million).

Revenue from the EPS business increased by £5.7 million to £19.6 million (2021: £13.9 million) as the new commercial approach has seen some significant customer order wins.

Growth has been achieved across all product groups with a particularly strong performance in the core area of digital inkjet machine sales which have grown £4.4 million (54%). This is particularly pleasing as it continues to be the focus for the business in the future. Pad print machine revenue has also risen 22% and the increased focus on consumables and accessory sales have also contributed to the growth as a result of the change in commercial approach, with increased revenue from ink, plates and parts. The order book remains strong and we are well placed to deliver further growth in 2023 as companies increasingly invest in capital equipment.

Table B – Group revenue by geographic region

£m	2022 H1					2022 H2					FY 2022					FY 2021			
	PH	**EPS**	**FFEI**	**Meg***	**Total**	PH	EPS	FFEI	Meg*	Total	**PH**	**EPS**	**FFEI**	**Meg***	**Total**	PH	EPS	FFEI	Total
Americas	**5.0**	**9.2**	**2.4**	**0.4**	**17.0**	5.8	10.1	2.4	0.9	19.2	**10.8**	**19.3**	**4.8**	**1.3**	**36.2**	7.3	13.9	2.4	23.6
Asia	**4.5**	**–**	**0.1**	**–**	**4.6**	3.0	0.2	–	0.4	3.6	**7.5**	**0.2**	**0.1**	**0.4**	**8.2**	11.9	–	0.1	12.0
EMEA	**11.2**	**–**	**3.6**	**0.2**	**15.0**	9.5	0.1	3.1	0.7	13.4	**20.7**	**0.1**	**6.7**	**0.9**	**28.4**	20.9	–	2.8	23.7
Total	**20.7**	**9.2**	**6.1**	**0.6**	**36.6**	18.3	10.4	5.5	2.0	36.2	**39.0**	**19.6**	**11.6**	**2.6**	**72.8**	40.1	13.9	5.3	59.3

* Megnajet was acquired on 2 March 2022, figures reflected in the table above are ten months of post-acquisition revenue.

Gross profit

Gross profit for the year increased by £8.4 million to £28.6 million (2021: £20.2 million) with an increase in the gross margin to 39% (2021: 34%). This was primarily the result of an improvement in the Printhead business unit's gross margin which grew from 38% to 43%, and EPS which moved from 23% to 40%.

In Printhead we increased utilisation of the factory as production volumes were increased during the year resulting in better overhead cost recovery, supporting margin gains.

There was also continued investment to secure raw materials to reduce further supply chain risks. Although there are indications of easing in the global supply chain, we remain cautious and have continued to focus on meeting customer demand. We have increased our working capital with inventory rising £10.3 million (2021: £9.1 million increase in inventory). The higher level of finished goods will ensure continued supply to customers during our factory reorganisation shutdown and enable us to capitalise on any uplift in demand across all our market sectors. This higher level of both raw materials and finished goods is a deliberate, prudent approach which we believe will see us well placed toboth manage customer requirements and further insulate the business from external supply chain risks.

We remain focused on cost saving initiatives which will continue to deliver efficiency gains and support our gross margin.

Gross profit for the EPS business grew £4.6 million in the year to £7.8 million (2020: £3.2 million). The actions taken to refocus the business which impacted 2021 results (non-cash write down adjustments totalling £0.7 million), left the business in a good position to meet the increased market demand for capital equipment in the US which has driven this much improved performance.

Both FFEI and Megnajet have performed ahead of our expectations made when we acquired the businesses. They are strong contributors to the performance of the Group, with FFEI delivering gross profit of £3.5 million (at 30% gross margin), and Megnajet £0.8 million (gross profit of 33%).

Research & Development spend

R&D spend of £6.7 million was up £1.0 million on 2021 (2021: £5.7 million). This spend reflects further investment in the ImagineX platform which continues to be central to our long-term growth and ongoing product roadmap. We increased spend in FFEI to £1.2 million (2021: £0.4 million) which enhances the support for our vertically integrated product offering. The total increase maintains our spend/revenue ratio in the desired range of 8-11% and is broadly in proportion with our revenue growth.

Table C – Printhead revenue by sector

£m	2022 H1	2022 H2	FY 2022	FY 2021	Var	Var %
Ceramics & Glass	**9.8**	**7.2**	**17.0**	19.0	(2.0)	(11%)
C&M and DTS	**6.8**	**5.8**	**12.6**	11.1	1.5	14%
WFG & Labels	**1.8**	**3.0**	**4.8**	6.2	(1.4)	(23%)
3D Printing & AVM	**1.9**	**2.0**	**3.9**	2.4	1.5	62%
Packaging & Textiles	**0.1**	**0.4**	**0.5**	0.8	(0.3)	(38%)
Royalties, Commissions & Fees	**0.2**	**–**	**0.2**	0.6	(0.4)	(67%)
Total	**20.6**	**18.4**	**39.0**	40.1	(1.1)	(3%)

Figures (£m) and percentages (%) are subject to rounding.

Table D – EPS revenue by sector

£m	2022 H1	2022 H2	FY 2022	FY 2021	Var	Var %
Digital inkjet	**5.7**	**6.7**	**12.4**	8.0	4.4	54%
Pad printing	**3.3**	**3.4**	**6.7**	5.5	1.2	22%
Other	**0.2**	**0.3**	**0.5**	0.4	0.1	34%
Total	**9.2**	**10.4**	**19.6**	13.9	5.7	41%

Figures (£m) and percentages (%) are subject to rounding.

Operating expenses

Sales and marketing spend for the year was £6.7 million (2021: £6.3 million). The increase in spend of £0.4 million year-on-year reflects the increased business size along with the focus on sales and business development in the Printhead business. This has seen some increase in commercial travel expenses although we are taking a focused, targeted approach to managing these costs.

General and administrative expenses increased £4.0 million from £10.1 million in 2021 to £14.1 million in 2022. The increase largely relates to planned investment in key areas of the business and infrastructure, including Operations, IT and Finance, partially offset by £1.2 million related to trading foreign exchange gains in 2022. This largely relates to key appointments in the senior management team and infrastructure upgrades.

Restructuring and transaction costs of £0.5 million (2021: £1.4 million) predominantly relate to reorganisation costs and acquisition-related professional fees.

Profit for the year

The profit before tax from continuing operations under IFRS was £0.8 million in 2022 (2021: £1.0 million profit). Basic earnings per share from continuing operations was 2.3p (2021: 0.9p).

The performance of the Printhead business moved from a £2.2 million profit in 2021 to a £0.3 million loss in 2022. Despite a much-improved gross margin, and a close control in operating expenditure, the revenue reduction and external inflationary pressures resulted in a small loss. The EPS business moved from a £0.9 million loss in 2021 to a £2.8 million profit in 2022 due to the improved performance.

FFEI delivered a loss of £0.3 million (2021: profit of £0.4 million).

Megnajet contributed a profit before tax of £0.4 million since acquisition on 3 March 2022.

In calculating the adjusted loss before tax we have adjusted for gains on derivative financial liabilities of £nil (2021: £2.9 million) and fair value loss on financial assets of £8,000 (2021: £1.0 million gain) alongside restructuring costs of £0.5 million, foreign exchange gains on intra-group loans of £0.8 million, and share-based payments of £1.7 million with an R&D expenditure credit of £0.4 million and amortisation of acquired intangible assets of £1.0 million.

The adjusted profit before tax from continuing operations was £2.8 million, compared to £0.6 million loss in 2021. This is a significant step forward for the business, emphasised by the delivery of adjusted profit in the year.

The adjusted EBITDA for continuing operations in the year was £6.2 million (2021: £3.2 million).

The Group profit for the year was £1.6 million (2021: £14.2 million profit) all of which is attributable to the owners of the Company, (2021: £16.2 million profit with a £2.0 million loss to non-controlling interests). Group profit for the year from continuing operations was £1.8 million (2021: £0.7 million). The total basic earnings per share attributable to shareholders is 2.1p (2021: profit 20.9p).

Cash generation

The Group retained a healthy cash balance of £8.5 million at the year end, representing a decrease of £16.5 million during the year. Operating cash flow, before working capital, was positive by £6.6 million driven by the improved aEBITDA across the business of £6.2 million.

As a result of the managed investment in inventory, working capital saw an outflow of £12.2 million, mainly due to the £9.5 million increase in inventory.

During 2022 we purchased Megnajet for an initial net cash outlay of £3.5 million as well as a further deferred payment for FFEI of £1.7 million. This investment in the business is enhancing our capabilities and supports the strategy of selling more printheads through offering a more vertically integrated solution to customers. Additionally, we invested £5.4 million on key infrastructure and product development.

The business has a clear plan and strategy which the strong balance sheet and cash position will support. There remain external development opportunities which, if they can expand our capabilities and expertise, we will look to potentially add to the Group. We will also continue to invest internally to ensure we have the operational capacity and efficiency to meet future demand, alongside investment in our product roadmap development.

The Group maintains a strong disciplined focus on cash, and this will continue throughout 2023.

Strong balance sheet

Non-current assets increased £5.2 million in the year from £46.8 million to £52.0 million. This was driven by the increase in goodwill following the acquisition of Megnajet of £1.3 million, along with an increase in intangible assets of£4.7 million. The recognition of financial assets at fair value arising from the sale of 3D assets was £11.1 million (2021: £11.9 million). Additionally, there was a £0.1 million reduction in property, plant and equipment as new purchases were controlled in with line with the Group's cash focus and a decrease in right-of-use assets of £0.8 million.

Current assets decreased £4.1 million from £54.6 million in 2021 to £50.5 million. A significant proportion of this decrease is attributable to the decrease in cash and cash equivalents holding of £16.5 million. The increase in inventories of £10.3 million to £29.1 million (2021: £18.8 million) was associated to the managed investment in our supply chain capability. Trade and other receivables increased by £1.3 million to £11.5 million (2021: £10.2 million).

Table E – Cash flow – total operations

	2022 £'000	2021 £'000
Operating cash flows before movements in working capital	**6,571**	(2,240)
Movement in working capital	**(12,188)**	36
Taxes received	**112**	150
Net cash (used in)/provided by investing activities	**(8,634)**	7,813
Net cash used in financing activities	**(2,915)**	(674)
Effect of foreign exchange rate changes on cash balances	**549**	(110)
Net (decrease)/increase in cash and cash equivalents	**(16,505)**	4,975

Overall, current liabilities of £20.5 million (2021: £20.5 million) remained flat year-on-year. A reduction in trade and other payables of £1.1 million to £14.9 million (2021: £16 million) was offset by increases in provisions for restructuring and warranties by £0.1 million, an increase in current lease liabilities of £0.3 million to £1.0 million (2021: £0.7 million) and a £0.3 million increase in contract liabilities. The Group also arranged an invoice financing facility in the year and as at 31 December the balance borrowed was £0.4 million.

Non-current liabilities reduced by £2.0 million to £10.2 million (2021: £12.2 million), which mainly relates to lease liabilities recorded under IFRS 16 for property which reduced by £0.7 million to £7.8 million (2021: £8.5 million) in the year. Additionally, further deferred consideration payments due in 2023 have now become current, reducing the balance of other financial liabilities from £3.4 million to £2.1 million.

Dividend

No dividend has been declared for 2022 as the Board believes that prioritising cash for continued investment in the business will deliver more compelling returns for shareholders in the medium term.

John Mills
Chief Executive Officer

27 March 2023

Ian Tichias
Chief Financial Officer

27 March 2023