27 April 2022

IG Design Group plc
(**"Design Group"**, the **"Company"** or the **"Group"**)

Post Close Trading Update

IG Design Group plc, one of the world's leading designers, innovators and manufacturers of celebrations, craft, gifting, stationery and creative play products, today issues a post close trading update for the year ended 31 March 2022.

The Group has delivered a strong revenue performance for the year at $963 million, up 10% like-for-like year on year and up 6% on proforma FY20 sales. The International business grew 15% with increases across all regions and particular strength in Europe and Australia. The Americas business was up 7%, reflecting growth in Celebrations and Gifting offset by lower year on year Craft sales. This performance reflects the Group's continued delivery of high service levels to its customers despite the challenging macroeconomic supply chain issues.

Group operating margin is expected to be 0.5% delivering Group operating profit[1] marginally ahead of previously communicated expectations, reflecting a stronger than anticipated performance in the USA. The Group expects to report a small adjusted loss before tax[1] for the year.

As a result of the lower than previously expected future earnings in the USA, the Group will book in FY22 a non-cash one-time reversal of deferred tax assets, meaning that adjusted post-tax losses and adjusted loss per share are expected to be significantly below market expectations.

Financial position

The Group closed the year with a net cash balance of $30 million, down year on year reflecting inventory-related working capital absorption. This relates to the Group's response to continuing supply chain challenges, which have required raw material purchases to be brought forward to support the strong seasonal orderbook and the inflationary impact on the cost of inventory.

The Group is in the process of finalising a facility waiver amendment in anticipation of the 2022 seasonal working capital requirements and an extension to March 2024 of the existing banking arrangements which run currently to June 2023. It is expected that these will be completed in the near term.

Board appointments

The Board was pleased to recently announce the appointment of Paul Bal as Group CFO and looks forward to his arrival on 3 May 2022. He will join Lance Burn, Interim Group COO, in leading the business on a day-to-day basis. We are also pleased to announce the appointment of Claire Binyon to the Board as a Non-Executive Director, effective from 1 June 2022 (please refer to the separate announcement).

The search for the Group CEO is underway and in the interim period the Company is pleased to announce that Stewart Gilliland has agreed to step into the role of Interim Executive Chair from June 2022 to December 2022, further bolstering the executive team capacity.

USA strategy

In the USA, the team are focused on delivering three key priorities to drive an improvement in the financial performance of the business which is expected to return the USA back to an operating margin of c.5-6% by FY25:

i) balancing customer pricing to supply chain cost inflation
ii) driving immediate and longer term cost savings
iii) addressing the commercial proposition to align the product offering to the new price:cost environment by simplifying the commercial architecture, driving margin and reducing inventories.

The business has had good success in mitigating a significant proportion of the ongoing cost pressures through discussions with customers. Progress has also been achieved including a restructuring of the US commercial, manufacturing and supply chain operations, which while removing costs also better aligns and accelerates decision making and improves accountability. In addition, operational cost savings have been implemented reducing external storage and freight handling expenditure while also ensuring in-house manufacturing is well prepared for the forthcoming season.

Outlook

The Group expects to deliver a marginal operating profit improvement in FY23, which reflects the progress being made in the USA, with the adjusted loss before tax expected to be broadly flat on the Group's FY22 results, driven primarily by increased finance charges in the year ahead. Average debt of the Group is expected to increase to c.$75-$80 million across the 12 months to 31 March 2023, compared to c.$15m in FY22 reflecting the expected higher working capital requirements of the Group throughout FY23.

The Board expects FY23 to continue to present external supply chain challenges bringing uncertainty across the Group, however, customer demand remains strong, particularly in relation to our important contracted seasonal orderbook.

The Group expects to announce its full year results on 28 June 2022.

Stewart Gilliland, Chair, commented:

"It has been a challenging FY22 with the business weathering significant cost headwinds but delivering good revenue growth and fantastic service to our customers. There is no doubt that the ongoing external supply chain and geo-political situation creates uncertainty in the retail consumer goods sector, however the work that is being undertaken in the US, and across all regions, positions the Group well to mitigate these challenges and provides the foundations for a far more positive longer term outlook for the Group.

Notwithstanding the difficulties faced, the Group's leading position in the market remains unchanged. We continue to work collaboratively with our customers to efficiently advance our manufacturing and product sourcing, ensuring we deliver exceptional product and service. I am confident the Group will return to profitable growth, and I look forward to providing further insight into the strategic plans in the USA and across the whole Group at the full year results announcement in June."

[1] Now includes the credit/(charge) relating to share based incentives.

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU No. 596/2014) which is part of UK law by virtue of the European Union (withdrawal) Act 2018. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

For further information, please contact:

IG Design Group plc Tel: 0152 588 7310
Stewart Gilliland, Chair
Giles Willits, Chief Financial Officer

Canaccord Genuity Limited (Nominated Adviser and Broker) Tel: 0207 523 8000
Bobbie Hilliam, NOMAD
Alex Aylen, Sales

Alma PR Tel: 0203 405 0205
Susie Hudson
Sam Modlin
Rebecca Sanders-Hewett

About IG Design Group plc

IG Design Group plc, the largest consumer gift packaging business in the world, is a designer, innovator and manufacturer of products that help people celebrate life's special occasions. Design Group works with more than 11,000 customers in over 80 countries throughout the UK, Europe, Australia and the USA.

Its products are found in over 210,000 retail outlets, including several of the world's biggest retailers, for example Walmart, Target, Amazon, Costco, Lidl and Aldi. Its brand, Tom Smith, also holds the Royal Warrant for the supply of Christmas crackers and Christmas wrapping paper to the Royal family. Design Group is a diverse business operating across multiple regions, categories, seasons and brands.

Its five major product categories are: Celebrations, Gifting, Craft & creative play, Stationery and ‘Not-for-resale’ consumables. It offers customers a full end-to-end service from design through to distribution, offering both branded and bespoke products from the value-focused through to the higher-margin ends of the market.

The Company was admitted to the Alternative Investment Market of the London Stock Exchange in 1995 under the name 'International Greetings plc' and rebranded to IG Design Group plc in 2016. For further information please visit www.thedesigngroup.com.