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IG Design Group PLC
20 April 2023

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IG Design Group Plc

('Design Group' or the 'Group')

Post Close Trading Update

IG Design Group plc, one of the world's leading designers, innovators and manufacturers of Gift Packaging, Celebrations, Craft & Creative Play, Stationery, Gifting and related product categories, provides an update on its financial performance for the year ended 31 March 2023, which is ahead of expectation.

The Group expects to deliver revenue for the year of approximately $890 million, down 4% year-on-year at constant currency (c. 8% on a reported basis). At constant currency, the Group's smaller International division grew approximately 10%, with increased revenue across all businesses, with particular strength seen in continental Europe. The Group's larger Americas division experienced a drop of approximately 10%, resulting from a combination of the strategic decision to exit loss-making business, and lower volume across a number of categories, especially in the second half of the financial year. All businesses, save for those operating in continental Europe experienced year-on-year sales decline in the second-half of the year. This reflected the challenging macroeconomic and consumer environment post-Christmas 2022, particularly so in the United Kingdom.

Group operating margins are expected to be approximately 1.8%, a recovery of some 140 basis points on the previous year. This better than expected margin performance is expected to deliver a Group adjusted profit before tax of some $9m, which is ahead of previously communicated market expectations, reflecting continuing stronger than anticipated trading performance in continental Europe, as well as benefits from the turnaround initiatives initiated in the Americas division exceeding earlier expectations.

Due to the recently deteriorated trading, and very limited pricing expectations for Christmas 2023 in the United Kingdom, the Group is likely to incur a one-off, non-cash write-down to the historic goodwill value associated with certain businesses in that market. The Directors expect this to significantly impact the reported results for the year.

Financial position

The Group closed the year with a net cash balance of some $50 million, a significant year-on-year increase, reflecting stronger working capital management despite inflationary impacts.

The Group is at an advanced stage with its re-financing, with new facilities that should run to spring-2026. It is expected that this will be completed in the near term.

Board appointments

Following the recent appointment of Paul Bal as Group CEO, the search for a new Group CFO is well advanced. It is expected that this will be completed shortly.

Outlook

The financial performance as set out above is consistent with management's aspiration to restore pre-Covid operating profit margins by the end of FY25. This year's delivery is ahead of the Board's expectations, and reflects significant efforts in the Americas division to restore profitability, and to grow revenue and extend margins elsewhere.

The Board expects FY24 to present demand and pricing challenges given widespread consumer caution. Nevertheless, it expects to make progress towards its FY25 aspiration. With margin recovery underway, management is developing a growth-focused strategy that will also better leverage the Group's scale and capabilities to further underpin delivery.

The Group intends to announce its full year results on 20 June 2023.

Stewart Gilliland, Chair, commented:

"On behalf of the Board, I would like to thank all of our colleagues across the Group for their dedication and strong efforts to restore the Group to profitability, especially so in the Americas.

There is no doubt that the continuing uncertainty in the global retail consumer goods sector provides a challenge. However, the initiatives already underway in the Americas, coupled with the recent strategy work across all regions will position the Group well to navigate these challenges and emerge stronger once the external environment becomes less challenging."

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