

17 January 2025

IG Design Group plc
(the 'Company' or 'Design Group')
Trading Update

IG Design Group plc, one of the world's leading designers, innovators and manufacturers across various celebration and creative categories, announces an update on trading for the period covering the nine months ended 31 December 2024 (the "Period"), material developments since then, and an update on its outlook for the year ending 31 March 2025.

Key trading and operational developments:

- Transformation of the Group continues to plan, with business simplification, efficiency and cost-saving initiatives particularly focused on the turnaround of the DG Americas division
- Challenging market conditions and retail trends experienced in H1 across a number of our markets have continued into H2, and they have more than offset the benefits resulting from such initiatives
- Trading across both divisions since H1 has been impacted negatively over the important Christmas season, with DG Americas particularly affected, due to challenging retail conditions affecting customers

Post-period key trading and operational developments:

- As we previously communicated, a number of our retail customers in the very competitive US retail market have experienced considerable distress, and have in recent weeks entered protective arrangements or bankruptcy procedures. This week, a major (4th largest) customer of our DG Americas division has re-entered Chapter 11 protection. These events have required DG Americas to establish significant provisions, circa 15m, to offset its exposure to the amounts receivable from such customers as well as the inventory associated with them
- Furthermore, the sales performance of our categories at the retail level during the Christmas season versus customer expectations is also leading a number of retail customers to reduce or delay their forward ordering, impacting our future revenue projections, production scheduling and cost absorption
- As recently announced, Sue Buchta, the new CEO for DG Americas, has now joined the organisation. Sue brings an exceptional breadth of leadership experience and commercial acumen from a career in the consumer products industry. With her onboarding well underway, Sue will build on the turnaround plan, with a particular focus on how our strategy returns DG Americas to profitable growth.

Outlook:

- Given the aforementioned events, as well as the continuation of challenging retail conditions across both divisions, overall Group revenue for the year ending 31 March 2025 is now expected to be c10% below last year, and therefore below expectations, with both divisions expected to experience decline, with DG Americas estimated to decline c13%, and DG International decline c1%
- Correspondingly, FY25 adjusted profit is now expected to be significantly impacted, with profit delivery for the full year around break-even, and well below last year, as well as being significantly below current market expectations (believed to be 32.0m)
- Whilst the Group was on track to deliver its strategic expectations of returning margins to above proforma pre-pandemic levels of at least 4.5% in FY25, this will now not be realised and our aspirations will have to be re-planned and re-set
- A strong net cash position is still expected to remain at the year-end, albeit being lower than previous expectations given the reduced profit delivery and expected lower receivables recovery due to customer in protective arrangements or bankruptcy procedures. The Company also continues to expect cash proceeds from property disposals.
- As communicated at results, it remains too early to comment on what impact, positive or negative, any future changes in international trade tariffs resulting from the incoming US administration will have on the Group
- Under these challenging circumstances, at this stage, and until the recent events are more fully assessed, the Board is no longer able to provide guidance for the years beyond FY25. Pending any other material developments, the Group will provide a further update on its results for the year ending 31 March 2025 in late April 2025, with

tuller reporting on 1/ June 2025 ("FY25") which will include revised management expectations for FY26. Following the recent trading performance of DG America, the Group would now expect to write down the carrying value of its DG Americas division as part of its FY25.

Stewart Gilliland, Chair, commented:

"We have been making good progress throughout our turnaround, focusing on our path to growth, developing a strategy of winning with the winning retailers and reducing the complexity across our business. However, the continuing challenging retail backdrop, especially in the US market has undoubtably impacted the performance, position and confidence of many of our customers - with clear winners and losers emerging. Whilst we do work with a significant proportion of the winners, our exposure to some of those finding things more challenging means that we are exposed to changing fortunes in the retail space.

"We're very pleased to have someone of Sue's calibre leading our Americas division. As a passionate and innovative leader, we are confident that her experience both in our industry and adjacent industries will bring further momentum to the transformation of this business.

"These developments and their impact on the Group are clearly very disappointing, and we will continue to strengthen our business model to better withstand the emerging market reality. Notwithstanding external factors, fundamentally, our business is robust and we remain focused on our strong customer relationships, and with the continued commitment of our strengthening team, we will re-map our path to stronger and more consistent delivery.

"The Board is committed to re-introducing future guidance at the appropriate time.

"I express my gratitude to my colleagues for their hard work over these recent weeks."

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