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IG Design Group PLC
30 May 2025

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IG Design Group plc

(the 'Group' or 'Design Group')

Disposal of DG Americas

IG Design Group plc, one of the world's leading designers, innovators and manufacturers across various celebration and creative categories, announces that pursuant to a share purchase agreement dated 30 May 2025 (the "SPA") it has agreed to sell its entire interest in Design Group Americas, Inc., a wholly owned subsidiary and the top company of the DG Americas ("DGA") division, to HUK 168 Limited (the "Buyer"), a special purpose vehicle and part of the Hilco Capital group (the "Disposal").

In consideration of the Disposal, the Group will receive (i) a nominal upfront cash payment of one US dollar; and (ii) 75 per cent of any proceeds (subject to applicable deductions agreed between IG Design Group plc and the Buyer) from the post Disposal sale or realisation of DGA or its assets by the Buyer, to the extent not utilised by the Buyer to provide working capital to DGA (the "Relevant Proceeds Consideration"). The Buyer will receive 25 per cent of any Relevant Proceeds Consideration. There is no ongoing recourse on the Group. IG Design Group plc will also assign to the Buyer any receivables owed by DGA to the Group for the nominal upfront cash payment of one US dollar.

DGA is the Group's US division and accounts for all the Group's US based operations, with some supporting operations also based in India, Hong Kong, China, the UK, Mexico and Australia. For the financial year ended 31 March 2024, DGA reported audited revenue of500.3 million and reported operating profit before tax of 4.9 million. As at 30 September 2024, DGA had un-audited net assets of245.4 million, of which intangibles and deferred tax assets comprised 94.0 million.

Strategic Rationale and Timing

As communicated over a number of years, DGA has been trading in an exceptionally challenging retail environment with softening consumer demand which has resulted in its customers reducing order volumes over successive years. This was compounded at the end of 2024 by bankruptcies amongst DGA's retail customer base, particularly of its fourth largest customer. In 2025 DGA faces even further significant pressure and uncertainty from the new trade tariffs imposed in the US which have severely raised the cost of doing business in the US, and further reduced customer ordering. As announced on 30th April 2025, the Board was reviewing strategic options for DGA, and has now concluded the Disposal is in the best interests of the Group and shareholders.

The Disposal will enable the Group to exit a structurally challenged and loss-making part of the business, quickly mitigating the further financial and operational impact the Group would have otherwise experienced. The Disposal is occurring ahead of DGA's seasonal peak working capital period. As such, the Board has sought to act decisively to protect the wider Group.

Moving forward, the Group will continue its business in the UK, continental Europe and Australia ("DG International"). The inclusion of two months of DGA's trading, and some limited transaction costs relating to the Disposal, are expected to adversely impact the financial performance of the Group in the current financial year. However, the Board believes the effect of the Disposal will be to simplify the Group, and focus attention and resource on its stronger performing markets.

Further Details on the Disposal

The SPA includes a guarantee by Hilco Capital Limited in favour of the Group, in respect of due performance by the Buyer of certain of its obligations under the SPA.

The process for the sale or realisation of DGA and/or its assets by the Buyer is not time bound and there is no absolute obligation on the Buyer to sell or otherwise realise DGA or its assets. Nor are there any constraints on what the Buyer can do with DGA under its ownership. The Group will receive its 75% share of the Relevant Proceeds Consideration, if any, as and when the Buyer receives such proceeds. There is no certainty that any Relevant Proceeds Consideration will be realised, and therefore it is possible that the total amount the Group will receive as a result of the Disposal would be limited to one US dollar. If the Buyer were to own and operate DGA in the long-term, without disposing or otherwise realising DGA or its assets, the Group will not receive any Relevant Proceeds Consideration.

Financing Arrangements

Upon completion of the current transaction, the existing US receivables backed asset-based lending ("ABL") financing facility will be terminated. The Group is in the process of securing a new three-year financing agreement with its lenders which is expected to conclude by the end of June. The Group's lenders remain supportive and have provided bridging finance to support working capital until the new three-year deal is signed.

Financial Results for the year ending 31 March 2025

Due to the Disposal, the Group expects the publication of its audited financial results for the financial year ending 31 March 2025 ("FY25") to be later than under its usual reporting timetable. A further announcement will be made on the FY25 reporting date in due course.

As noted previously, the Group expects to recognise a very material write-down of its investment in DGA. This will be treated as an adjusting item and is a non-cash adjustment.

Stewart Gilliland, Chair, commented:

"We have worked tirelessly over a number of years to rebuild DG Americas into a more profitable and sustainable part of the Group. However, numerous external factors have influenced progress, including category contraction and customer bankruptcies. Compounding this, in light of recent events in North America and the evolving tariff situation, it has become clear that the headwinds facing the division are untenable. The Board has acted decisively and at pace to safeguard the wider Group from both further financial exposure at a crucial time in the Group's working capital cycle and also the escalating risks of prolonged underperformance. By entering into a realisation agreement with the Buyer the Group has removed downside risk while retaining optionality on any value that may be realised.

"I would like to recognise the commitment and professionalism of the DG Americas team, who have worked with dedication and passion in difficult circumstances over recent years.

"As we look ahead, our focus is firmly on driving DG International, where we have a strong heritage and benefit from long established relationships with major retailers, with well-structured categories and product ranges."

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This announcement contains inside information for the purposes of article 7 of the Market Abuse Regulation (EU) 596/2014 (which forms part of domestic UK law pursuant to the European Union (Withdrawal) Act 2018 ("UK MAR"). With the publication of this announcement, this information is now considered to be in the public domain.

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