

29 July 2025

Card Factory plc
(the "Group" or "cardfactory")

cardfactory conditional acquisition of funkypigeon.com

Acceleration of digital and omnichannel strategy

cardfactory, the UK's leading specialist retailer of greeting cards, gifts and celebration essentials, today announces that it has entered into an agreement to acquire the entire issued share capital of funkypigeon.com Limited ("Funky Pigeon") from WH Smith PLC for cash consideration of £24 million.

The acquired business operates funkypigeon.com, an established online personalised card and attached gifting business, which is supported by its standalone team in Bristol and Guernsey. Over the prior two financial years, Funky Pigeon on average generated c.£32 million revenue per annum and c.£5 million EBITDA. The acquisition is subject to the receipt of any required regulatory approvals.

Strategic Rationale

The acquisition of Funky Pigeon accelerates cardfactory's existing digital strategy, providing a platform for online growth, particularly in the direct-to-recipient card and attached gifting market. By combining Funky Pigeon's digital platform with our existing omnichannel offer, cardfactory intends to leverage its 24 million unique store customers to develop a highly competitive online presence in the celebration occasions market. Upon completion, we will be the second largest online card and attached gift retailer in the UK market providing a great value offer to consumers across personalised cards, attached gifting and celebration essentials.

Our vision for online is to expand our digital presence by becoming an online destination to help our customers celebrate all of life's moments. To complement our extensive nationwide store network, our digital strategy is twofold.

First, to meet the needs of online customers looking for a convenient and great value card with attached gift service, with the option for personalisation, a priority for many customers. The acquisition of Funky Pigeon accelerates this strategic pillar by providing access to a large, established customer base and a high-quality technology platform.

The second pillar of our digital strategy is to extend our store-based party and celebrations offer by providing customers with the ability to seamlessly access an extended range through our omnichannel offering. cardfactory is uniquely positioned to deliver on this for both in-store and online customers, providing them with a one-stop shop for celebrations. Over time, Funky Pigeon's technology platform will become the core digital platform for cardfactory's UK and Ireland business, through which we will drive operational efficiencies, improve customer experience and maximise future development potential. We will enable customers to benefit from both Funky Pigeon's strong online proposition and cardfactory's unique integrated model, with convenience, value and quality being key attributes.

Further operational synergies will be unlocked by utilising both Funky Pigeon's existing order fulfilment capability in Guernsey for personalised cards and cardfactory's in-house manufacturing and fulfilment facility in Baildon, West Yorkshire for card and attached gifting orders.

Financial Considerations

The consideration of £24 million is based on an enterprise value of £26 million and is subject to customary closing adjustments, implying an EV/EBITDA multiple of c.5 times.

The Group expects the acquisition to be earnings enhancing in the financial year ended 31 January 2027 (being the first full year post-completion). Annual synergy benefits of more than £5 million are expected from optimising manufacturing and fulfilment, technology platforms and product ranging. Synergies will be achieved through the course of FY27. Following the initial integration phase, the Group anticipates this acquisition will provide strong returns for shareholders.

The acquisition will be funded from draw down of up to £35 million under the accordion facility provided by cardfactory's banking syndicate, as part of its current debt facilities. The impact on Group leverage is expected to be modest, with leverage increasing by 0.3x on a pro forma basis at the end of FY26.

The Group's Capital Allocation Policy remains unchanged, and we anticipate paying down the additional debt drawn over the next three years, alongside maintaining a sustainable, progressive dividend of at least 3x adjusted earnings.

The Board remains confident in the free cash generation capability of the business and will make disciplined decisions about prioritising uses of surplus cash, including potential additional returns to shareholders, at the appropriate time.

Trading Update

The Board's expectations of mid-to-high single-digit percentage growth in both sales and Adjusted PBT for FY26 remain unchanged. PBT will follow a similar profile to last year, with delivery significantly weighted to the second half, reflecting Group sales, timing of investments and inflation mitigation actions.

Group sales for the five months ended 30 June 2025 increased by mid-single digits year-on-year. A decision to bring forward investment in an upgraded store point of sale (PoS) till system from H2 to H1 will contribute to Adjusted PBT for the first half being slightly behind last year (H1 FY25: £14.5 million). With the strong H2 trading calendar ahead including Back to School, Halloween and the important Christmas season, we remain confident in our ability to deliver on full year expectations, underpinned by additional efficiencies from the PoS upgrade and our Simplify and Scale efficiency programme in H2.

Darcy Willson-Rymer, cardfactory Chief Executive Officer, commented:

"This acquisition marks a significant step forward in cardfactory's strategy to build a scaled, competitive digital presence in the celebration occasions market. It brings a high-quality platform and proven technology, accelerating our ability to compete in the direct-to-recipient card and gifting segment, so supporting our ambition to become the leading omnichannel retailer in our sector.

"Together, the enlarged customer base will benefit from a richer, more convenient customer proposition, combining the strength of our nationwide store estate and wider celebrations offer with Funky Pigeon's exceptional digital experience. Operational efficiencies, fulfilment synergies, and a unified technology platform will provide the data needed to develop deeper insights into the customer journey, enabling us to build a stronger, more integrated omnichannel business.

"The Board and wider cardfactory team look forward to welcoming Funky Pigeon colleagues to the Group."

Enquiries

Card Factory plc

via Teneo (below)

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