26 October 2021

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

Trading Update

Revenue growth offset by challenging cost headwinds

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 trading update for the six months ended 30 September 2021.

The Group has delivered a good revenue performance in the first half of the financial year with like-for-like revenue up 11% on the prior year, and up 5% on proforma revenues (including CSS prior to ownership) for the six months to 30 September 2019. These results are driven by growth across both the Americas and International divisions reflecting the ongoing success of the Group's 'Working with the Winners' strategy combined with its strong and innovative portfolio of products and brands. The Group had expected revenue growth at the half year in excess of the levels achieved, however this was constrained by the supply chain challenges currently being experienced across all distribution and retail sectors. Pleasingly the Group continues to see good demand in the second half of the financial year and good momentum into FY23 from its customer base.

In addition to the logistical disruption within the Company's global supply chain, partially related to the impact of Covid-19, the business has experienced worsening cost headwinds during the period, with sea freight costs up significantly across all regions, alongside raw material and labour inflation as well as supply availability issues. The business has responded quickly to mitigate much of the impact of these challenges through commercial negotiation, earlier stock commitments and other initiatives, while working with both suppliers and customers to ensure the Group maintains its high level of customer service across all its operations.

However, as a result of the disruption and these cost increases, operating margins in the first half have been negatively impacted and it is expected that the challenges will continue into the second half of the current financial year and also into FY23, although it remains difficult, at this time, to estimate the impact. As such, the Group now expects FY22 full year operating margins to be 175-225 basis points lower year on year resulting in full year earnings being significantly below current market expectations, with the cost and supply chain headwinds continuing for an as yet unknown period in FY23.

At 30 September 2021 Group net debt was $59 million (30 September 2020: net debt $23 million) reflecting the normal and expected seasonal movement as the Group increases working capital ahead of the Christmas peak season. It also reflects the timing impact of delayed deliveries to customers. Average leverage was zero times in the 12-month period to 30 September 2021 (30 September 2020: 0.2x).

Paul Fineman, Group CEO, commented:

"It is more than frustrating to have to report a decline in expected earnings at a time when demand from our customers remains so positive, driven by the continued execution of our strategy and our best ever portfolio of products, brands and service.

However, we are not immune to the unprecedented supply chain issues affecting just about every sector, including the significant increase in shipping costs, and despite our best and ongoing efforts to mitigate the impact, these factors have affected our margins. No one knows how long these supply issues will last and we are taking a cautious approach to the near-term outlook, especially in light of the recent increased Covid-19 concerns.

With our ongoing focus on providing great customer service and a compelling product proposition, supported by our strong balance sheet and first-class team we are better placed than many of our peers to weather the supply chain storm and return to a combination of both revenue and earnings growth. In the medium term, we remain committed to the goals outlined in the Growth Plan announced in June."

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.

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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.