

# Our strategy

**As we experience some momentum on our journey to restoring our margins and financial strength, it has been our focus to establish a plan for the next stage of our development. A growth-focused strategic review was completed recently, and we are pleased to be in a position to share our early thoughts.**

## Last year's strategic focus

In recent years the Group had focused on a 3-pillar strategy of:

- Working with the winners
- Design & innovation
- Efficiency & scale

The speed and the scale of the challenges experienced in FY2022 caused the Board to revisit this, favouring more immediate plans and aspirations with the objective of quickly making the Group's operations more resilient, and stopping further deterioration in profitability. This resulted in a 5-point focus on:

- Reducing complexity, better leveraging expertise and scale and improving mix
- Improving margins
- Making the supply chain more resilient
- Lowering working capital
- Strengthening leadership and teams

Notwithstanding the tough economic backdrop that we have faced, including significant inflationary pressure, this focus on strengthening our business model has enabled us to deliver a stronger than anticipated improvement in profitability, margins and balance sheet strength over FY2023.

We have also assembled a stronger team which has enabled us to take the first steps to recovering pre-pandemic margins by FY2025 in line with the Board's aspirations. Details of our delivery over FY2023 are set out in the Executive Review.

Our people are vital as we look to take the next steps on our journey. Over the last 12 months we have hired a new CFO, new DG Americas CEO and CFO, and internally promoted new MDs in DG UK and the Anchor International business within DG Europe. This new leadership has the experience and strategic thinking that is required to bring the business back to delivering organic growth. In addition, we are also committed to providing all our colleagues with training and development opportunities to ensure they have the capabilities to drive our new strategy to successful outcomes.

We did not lose sight of the original three pillars and have continued to use them to guide our overall strategic direction. We remain committed to working with the winners, fostering design and innovation throughout our business as well as being a business of scale. Our progress in this regard is highlighted in the following pages.



## Working with the winners

Increasing revenue through growth with the winning retailers of now and the future, in the growing channels and product categories.

### Why is this important?

Strengthening revenue is critical to the ongoing success and development of the Group. Our focus on working with the winners allows the Group to drive revenues with our key customers by being their partner of choice. As revenue grows, this further underpins our relationship with our customers.

### How do we deliver on this?

We always aim to be our customers' partner of choice and to be part of their success story. The retail market is dynamic and as it evolves we work closely with all of our customers to ensure we are right by their side as a trusted supplier.

To ensure we are at the forefront of our customers' minds, it is imperative that we have a diverse offering of products, in the form of a 'one-stop-shop', and ensure we have the capabilities as a manufacturer as well as leveraging our ever-improving sourcing processes.

Our businesses invest significant time in making themselves experts in their local markets and developing strong relationships with each of our winning customers.

## Our key performance indicators

### Level of business with our top 20 customers (% of total revenue)

**Definition:** Percentage of Group revenue from our top 20 global customers

**Why chosen:** We pride ourselves on having long-lasting cross-category relationships with the world's leading retailers, and nurturing and maintaining these relationships allows us to grow alongside them.

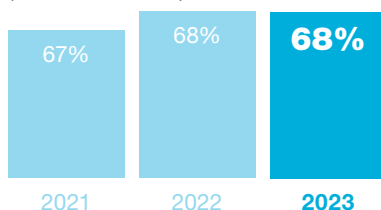
### Sales by channel (%)

**Definition:** Growing our revenues across different sales channels, with a focus on our 'winners': value and mass

**Why chosen:** Our 'winners' are a broad range of customers across various sales channels including national and regional mass and discount retailers.

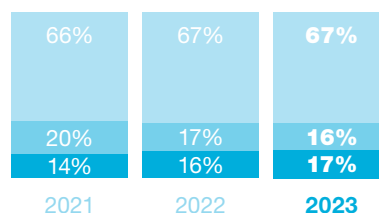
## Progress in FY2023

### Level of business with our top 20 customers (% of total revenue)



Continuing strong relationships with our customers remains a priority for the Group. We partner with those customers that we see have growth potential, and focus on excellent customer service and quality products at good value to ensure we grow as our customers do.

### Sales by channel (%)



■ Value and mass ■ Specialist and online  
■ Independents

Our top 20 customers have consistently made up c68% of Group revenue over the past three years. Many of these customers belong to the value and mass channel which have dominated the market in recent years. Sales to the value and mass channel represent 67% of Group revenues.

## Priorities

Our key priorities in FY2024 include:

- Growing revenues with our top retail partners whilst ensuring these revenues drive a recovery of margins
- Reducing the complexity of our assortment
- Improving 'strike rates'
- Developing a more segmented product mix

# OUR STRATEGY

## CONTINUED

### Design & Innovation

Developing in new channels and adjacent product categories while increasing our share in the growing number of events celebrated throughout the year.

#### Why is this important?

Design and innovation are our lifeblood and are key to the success of the Group going forward. Consumers are constantly looking for exciting new products while our customers seek new, innovative ways to sell.

#### How do we deliver on this?

Consumers want retailers to merchandise products that are high quality and on trend, whilst still being value for money. As such, our customers look to us to help them access the products that their customers want. These expectations continue to grow and product design and innovation is critical in this regard. We pride ourselves on developing the best designs for innovative and quality products.

We also focus on developing new and adjacent products and our designers are some of the best in the industry, constantly developing ideas to stay ahead of the latest trends.

Innovation also extends to how we as a business can develop and enhance ways in which we reduce our impact on the environment and this is a key area of focus for our teams.

#### Our key performance indicators

##### Product diversity (%)

**Definition:** The proportion of adjacent non-celebration product category revenue year-on-year

**Why chosen:** It is important to innovate and introduce new segments outside of our Celebrations range and products that complement our existing ranges. This helps the Group grow by diversifying our offering.

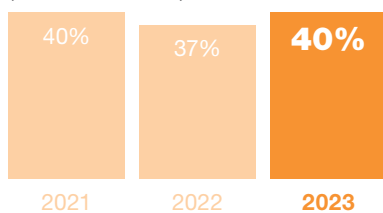
##### Diversifying revenue (%)

**Definition:** The share of Group revenues in categories other than Christmas products

**Why chosen:** We have in the past been a heavily Christmas-based business, and whilst this is still very important, we also want to focus on growing the minor seasons and everyday parts of our business.

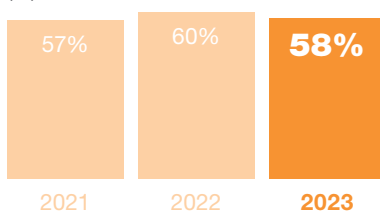
#### Progress in FY2023

##### Product diversity (% of total revenue)



Non-celebration revenues

##### Diversifying revenue (%)



Non-Christmas revenues

Celebration-related products are a core part of our business. Developing on-trend adjacent products improves our offering to our customers. Non-celebration product category revenues are 40% of Group sales which is up slightly on last year, with craft and giftware ranges such as photo frames performing well.

Christmas remains an essential part of our business and will continue to do so, however in recent years we have endeavoured to broaden our offering to extend to other special occasions throughout the year such as Valentines Day. Our non-Christmas revenues now represent 58% of our turnover.

#### Priorities

Our key priorities in FY2024 include:

- Developing products and ranges in core and adjacent categories allowing our customers to merchandise on-trend ranges
- Leveraging the skills of our designers across the globe

## Efficiency & Scale

Driving up margins through investment in processes and people while bringing in new product categories and unlocking synergies.

### Why is this important?

Driving efficiencies through capital and people investment will help strengthen our margins, while carefully selected acquisitions that complement our business help deliver synergies and drive the overall scale of the Group.

### How do we deliver on this?

Investment in people and processes as well as unlocking synergies following acquisitions are an important focus as we continue to seek to increase operating margins.

Our ability to remain responsive to our customers' needs requires us to remain competitive through investment in state-of-the-art manufacturing capabilities.

Alongside this, investment in the teams around the globe ensures we have the right people operating our businesses on the ground.

## Our key performance indicators

### Adjusted EBITDA margin (% of total revenue)

**Definition:** Adjusted EBITDA as a percentage of revenue

**Why chosen:** Delivering underlying value to our customers is essential and we must ensure we can continue to compete in our marketplace and win against other competitors.

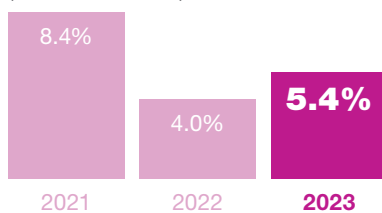
### M&A and investment (\$m)

**Definition:** Capital expenditure and corporate acquisitions

**Why chosen:** Our ability to invest in efficiency-improving projects helps support our competitive position, while our ability to execute earnings-accretive M&A ensures the Group continues to grow its scale and reach.

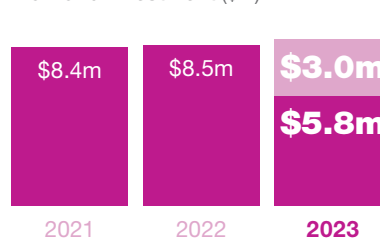
## Progress in FY2023

### Adjusted EBITDA margin (% of total revenue)



It has been a year of turnaround for the Group with significant progress made in driving efficiencies resulting in adjusted EBITDA margin improving to 5.4%, particularly due to the execution of a number of strategic initiatives in DG Americas.

### M&A and investment (\$m)



■ Corporate acquisitions  
■ Capital expenditure

Capital expenditure this year has remained at a lower level as the Group recovered from the operational challenges experienced last year. The \$3.0m acquisition investment arose from the Group purchasing the remaining 49% interest in APP.

## Priorities

Our key priorities in FY2024 include:

- A focus on rebuilding resilience of the business going forward
- Onboarding the new senior management to ensure strong leadership going forwards to fully execute Group strategy
- Leveraging scale where possible across the Group, such as improved sourcing

# OUR STRATEGY CONTINUED

## The new emerging growth-focused Group strategy







Our experience from delivering the FY2023 results under continued tough retail conditions, coupled with the significant leadership and organisational changes taking place across the Group, means that having the right strategy is more important than ever to put the Group back onto a sustainable organic growth trajectory. And with this intent, during the last quarter of FY2023, in conjunction with the Operating Board, a professional firm of external consultants was commissioned to work with our local leadership teams and carry out a diagnostic of the strategic challenges faced by our businesses as they seek to grow. The findings were reported to the Board in March, and the Board and Operating Board have since distilled the report into strategic priorities.

These have now been articulated as a high-level Group strategy which we see as an evolution based upon where the business is today, rather than a complete change in strategy. In parallel, our Business Units started compiling their own 3-year strategic plans taking the diagnostic work as input. These plans should be completed and aligned over the coming months. At our half-year reporting in November 2023, we anticipate being able to set out further details of our aspirations, plans and key initiatives. Further down the line we will also share some case studies to illustrate the activities being undertaken.

## The new Group strategy

The strategy concentrates on further developing and sustaining the critical attributes our customers require of us. This will enable us to continue to be the partner of choice that working together with our customers, wins in the retail environment.

## Be the partner of choice that is:

<p><b>Strategic</b></p>  <ul style="list-style-type: none"> <li>• Purposeful</li> <li>• Providing good value</li> </ul>	<p><b>Adaptive</b></p>  <ul style="list-style-type: none"> <li>• Design-led</li> <li>• Innovative</li> </ul>	<p><b>Dependable</b></p>  <ul style="list-style-type: none"> <li>• Resilient supply chain</li> <li>• Responsible</li> </ul>
<p><b>Strong</b></p>  <ul style="list-style-type: none"> <li>• Talent-rich</li> <li>• Flexible footprint</li> </ul>	<p><b>Collaborative</b></p>  <ul style="list-style-type: none"> <li>• Open-minded</li> <li>• Learning</li> </ul>	<p><b>Informed</b></p>  <ul style="list-style-type: none"> <li>• Data driven</li> <li>• Seasoned</li> </ul>

## Enabling us to win together

<p><b>Through excellent partnering to grow our categories</b></p> <ul style="list-style-type: none"> <li>• Identifying and developing the required capabilities</li> </ul>	<p><b>Bringing consumer-focused solutions</b></p> <ul style="list-style-type: none"> <li>• Brand and product development</li> <li>• A better shopper experience</li> <li>• Sustainable products and solutions</li> </ul>
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### Strategic

Ensuring the adoption of a longer-term perspective with vision and purpose, supported by clearly defined objectives for the business and our categories.

Mapping the journey to deliver sustained value for the consumer, the shopper, our customers and ourselves, in a commercial, disciplined and efficient manner.

Creating a strong leadership culture throughout the business which is relentlessly focused on value-creation, whether through sales growth, greater efficiency, cost management, or flexibility.

### Adaptive

Adopting a more consumer and buyer-focused approach when we innovate, design, and develop our categories, products, offerings and services. This will include better segmentation, including brand development, to make us more responsive.

Taking a more mindful approach toward consumer trends and the retail experience, as well as other societal shifts such as sustainability.

Adapting, evolving and extending our offering and solutions to stay consumer relevant.

### Dependable

De-risking our categories for our customer as it is a critical part of the service that we provide.

Focusing on supply chain resilience, responsible supplier management, and the ability to quickly respond appropriately to changing circumstances, be they short-term shifts or longer-term trends.

Ensuring we keep our customers' trust in our ability to deliver today and tomorrow is fundamental to us.

Committing to be a responsible business is a core principle for us. We will play our part in addressing the needs of our stakeholders and the wider environment.

### Strong

Maintaining a well-invested, low cost, flexible manufacturing footprint, coupled with an extensive supplier base providing security for our customers.

Developing and maintaining a deep pool of international talent across the business, including in the important aspects of our service delivery such as; creative, technical, commercial and leadership.

### Collaborative

Leveraging the complete range of skills and resources available to the Group, both internal and external. This is critical to our strong, efficient delivery to every customer everywhere.

Identifying and unlocking the synergies within the Group's global operations and its extensive supplier network.

### Informed

Underpinning our creative work and decision-making with strong insights developed from widely drawn, quality data. This extends to having a deeper understanding of our consumers, shoppers, customers, and markets.

Drawing from a strong bench of experienced and seasoned insightful managers and leaders therefore providing additional insight.



### Excellent partnering

Assembling world-class capabilities in category management as well as strong key account management. Building some of these capabilities will require further investment in the training and development of our teams.

Identifying and developing the key skills that are pertinent to supporting our journey ahead, such as brand development, procurement, supply chain and financial.

### Consumer focused solutions

Developing and curating our solutions, be they our in-house designs, our brands, our products or our services cognizant of the end-consumer and shopper anticipating their needs and demands.

Through this, developing and extending the value-proposition of our categories, prolonging their appeal and relevance. This includes being at the forefront of innovations providing more environmentally-sensitive solutions for our customers and consumers.