

**design**group

## Introduction & 2021 Half Year Results

Presented by  
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# DESIGN GROUP OVERVIEW

## Helping the world celebrate life's special occasions

### Celebrations



**59%**

of revenue

**\$256.8m**

(H1 2019: 76%, \$235.2m)

### Craft & Creative Play



**21%**

of revenue

**\$90.0m**

(H1 2019: 5%, \$14.1m)

### Gifting



**14%**

of revenue

**\$64.3m**

(H1 2019: 9%, \$29.1m)

### Stationery



**4%**

of revenue

**\$15.6m**

(H1 2019: 7%, \$20.9m)

### 'Not-for-resale' Consumables



**2%**

of revenue

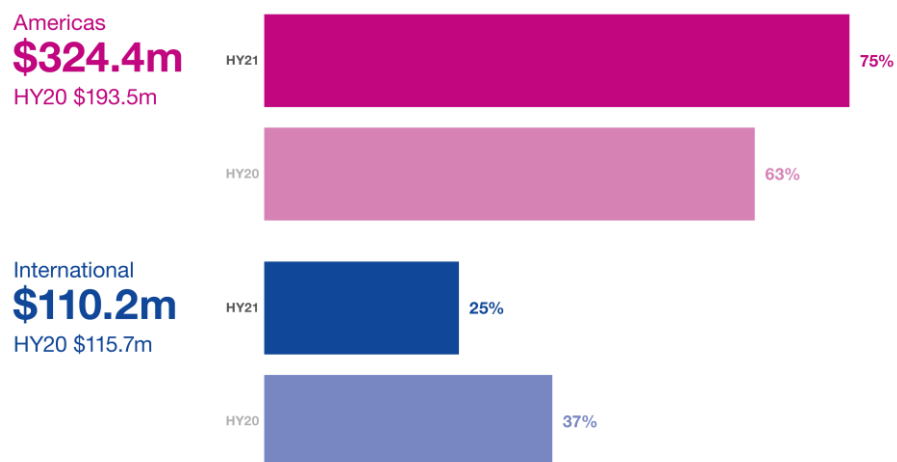
**\$7.9m**

(H1 2019: 3%, \$10.0m)

# OUR BUSINESS

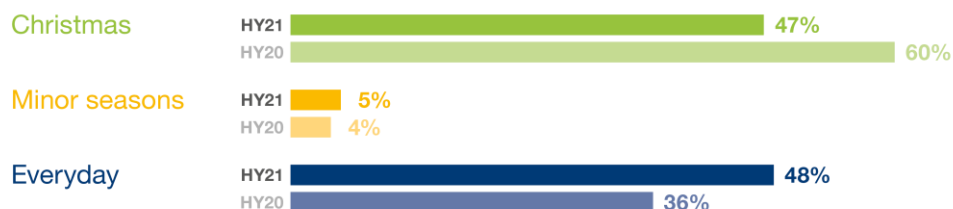
## Sales by Customer Destination

Growth in Americas reflecting recent CSS acquisition and the market with the most significant organic growth opportunities



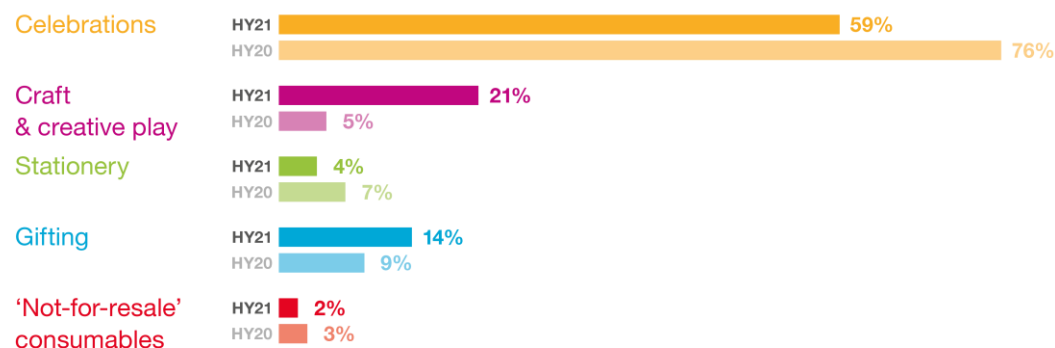
## Sales by Season

Stronger all year round revenue driven by increase in every day business



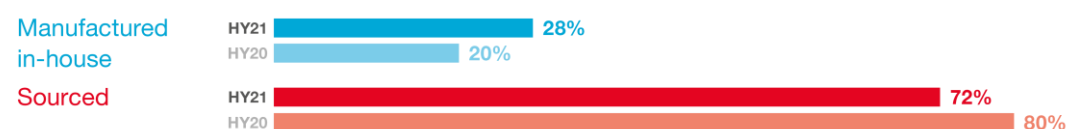
## Sales by Product Category

More balanced product portfolio with growing importance of Craft and creative play



## Sales by Source

Increased manufacturing network improves flexibility for optimal sourcing





# OUR BUSINESS - WHO WE SELL TO

Our large customer base includes the following retailers:

	15 years		19 years		11 years		28 years
	21 years		30 years		4 years		15 years
	20 years		11 years		20 years		35 years
	15 years		15 years		13 years		29 years
	25 years		11 years		7 years		20+ years
UK		Europe		USA		Australia	
World							

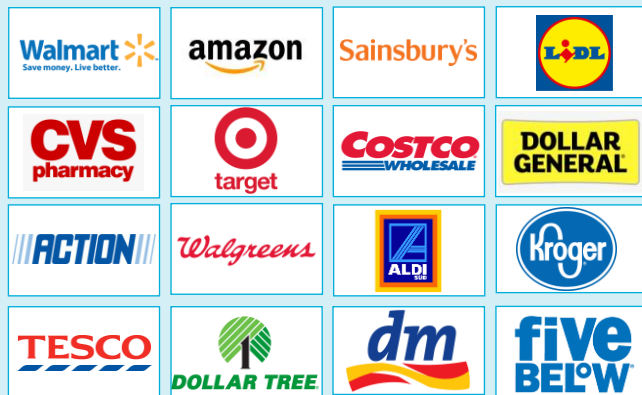
# OUR TEAM

## Creating value through our Americas & International Divisions



# OUR STRATEGY IN ACTION

## Working with the Winners



- Key customers continue to increase market share
- Significant growth through e-tailers and online platforms of 'brick and mortar' retailers
- Strong demand for Craft and creative play products
- Home décor related gifting grew reflecting 'stay at home' trends

## Design & Innovation



- Market leading initiatives under the 'Eco Nature' brand, providing cross-category sustainable product solutions
- Bespoke product formats and designs created for e-commerce sales
- Significant expansion of seasonal gifting and décor products under the 'X&O' brand

## Efficiency & Scale



- New state-of-the-art printing press now fully operational in Memphis, Tennessee
- Successful commissioning of Robowrap investment in Europe delivering productivity savings
- Leveraging scale and sourcing expertise throughout the supply chain
- Consolidation of logistics facilities creating further efficiencies

# 2021 HALF YEAR - HIGHLIGHTS

## Stronger than Expected Performance

- A resilient performance reflecting
  - The strength of our customer base
  - The appeal and value of our products
  - Operational efficiency and revenue mix

## Covid-19

- Operations maintained in all regions
- Maximised revenues with strong Everyday performance
- Focus on cost and cash management

## Christmas Trading

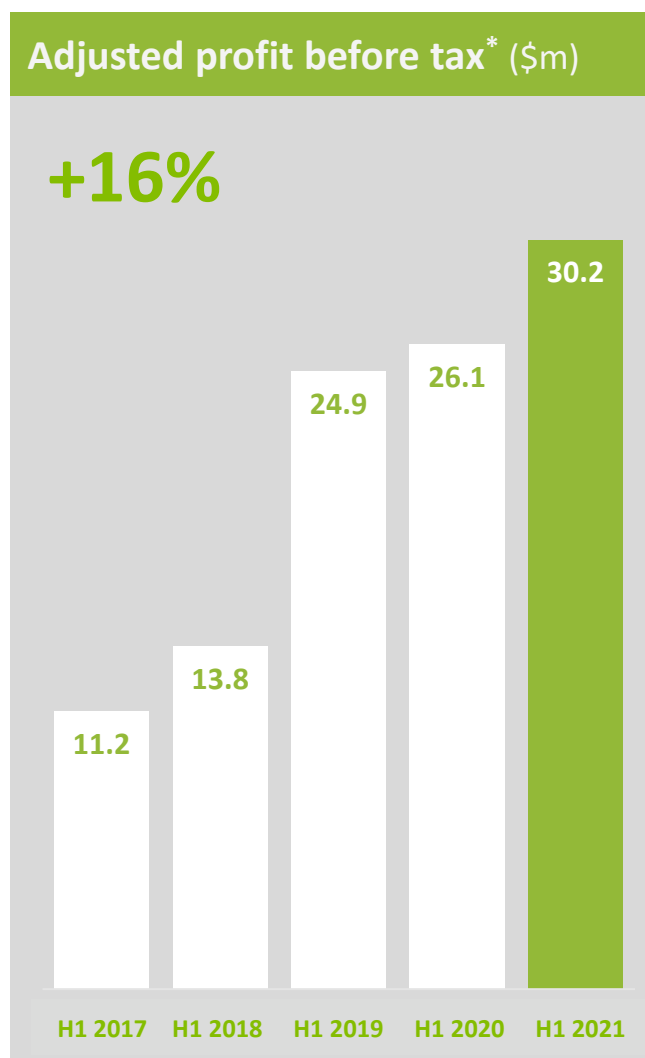
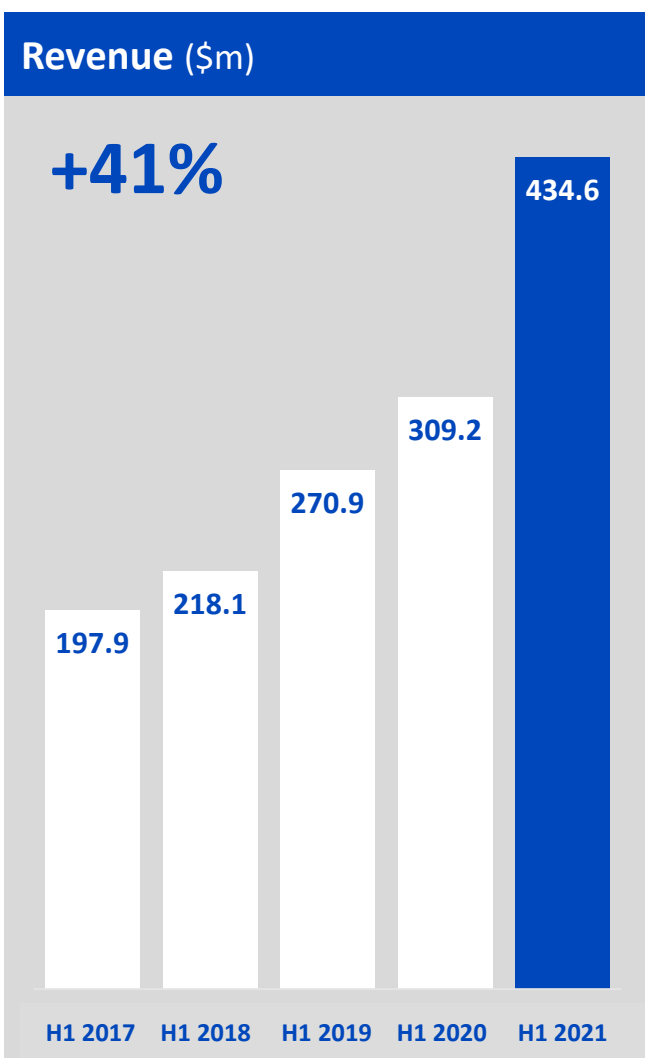
- A strong order book
  - Established early in the year
  - Majority already delivered
  - Customers reporting good sell-through

## Full Year Outlook

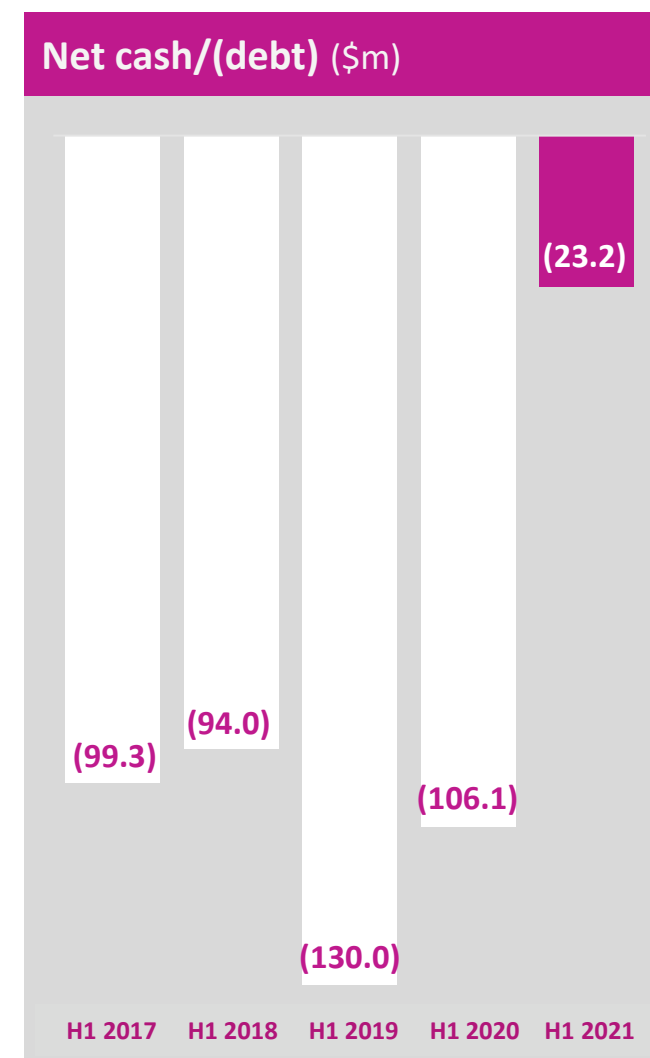
- Annual revenues underpinned by seasonal order book and good Everyday momentum
- Cautious outlook but on track to deliver ahead of market expectations



# FINANCIAL HIGHLIGHTS



\*Adjusted profit is stated before tax and adjusting items.



As previously announced and following the acquisition of CSS the Group reporting currency moved to US Dollars, with the Group results now presented as two reporting segments – DG Americas and DG International



# PROFIT & LOSS

	H1 2021			H1 2020		
	Reported	Adjusting	Adjusted	Reported	Adjusting	Adjusted
	\$m	Items \$m	\$m	\$m	Items \$m	\$m
Revenue	434.6	-	434.6	309.2	-	309.2
Gross profit	83.7	0.9	84.6	63.0	0.6	63.6
Overheads	(64.4)	12.2	(52.2)	(39.9)	5.0	(34.9)
Operating profit	19.3	13.1	32.4	23.1	5.6	28.7
Finance charge	(2.2)	-	(2.2)	(2.6)	-	(2.6)
Profit before tax	17.1	13.1	30.2	20.5	5.6	26.1
Tax	(4.8)	(2.9)	(7.7)	(4.6)	(1.3)	(5.9)
Profit after tax	12.3	10.2	22.5	15.9	4.3	20.2

Revenue	H1 2021 \$m	H1 2020 \$m	%
Americas	321.6	183.8	75
International	115.5	128.4	(10)
Elims / Central costs	(2.5)	(3.0)	-
Total	434.6	309.2	41

Adjusted Operating Profit	H1 2021 Sm	H1 2020 Sm	%
Americas	19.5	17.7	11
International	15.1	13.2	15
Elims / Central costs	(2.2)	(2.2)	-
Total	32.4	28.7	13

- H1 revenue up 41% driven by CSS (\$149.1m), like-for-like revenue decline of 8% resulting from Covid-19 primarily in Q1 with strong recovery in Q2
  - Americas grew 75%, like-for-like down 6%. International down 10% mainly reflecting the UK dynamic, with Europe flat year-on-year
- Adjusted Operating profit up 13% year-on-year with growth in both Americas and International. Operating margins lower than prior year reflecting lower overhead absorption to inventory and negative operating leverage
- Finance charge down reflecting lower debt throughout the period, partly offset by CSS IFRS 16 charge
- Adjusted tax rate at 25.4% up on prior year reflecting weighting of statutory rates
- Adjusting items up \$7.5m year-on-year primarily reflecting the integration and restructuring costs associated with the CSS acquisition (\$5.5m) and Covid-19 incremental costs (\$2.0m)

# CASHFLOW

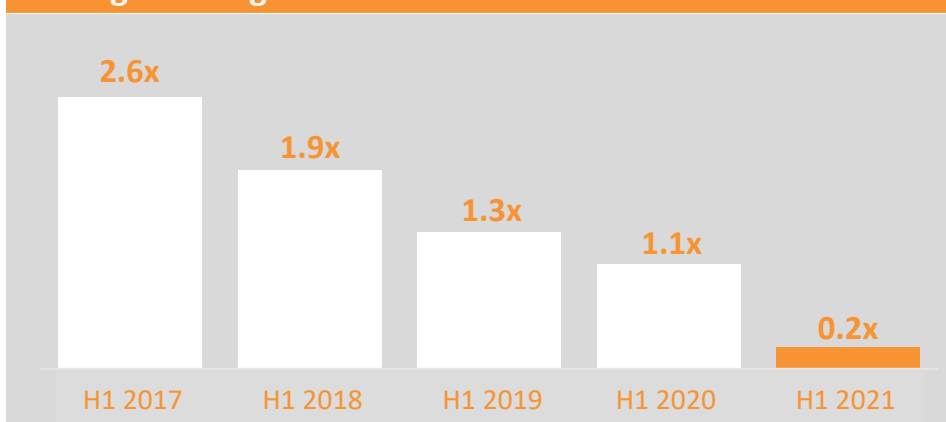
	H1 2021	H1 2020
	\$m	\$m
<b>Adjusted EBITDA</b>	<b>49.7</b>	37.2
Movements in working capital	(104.9)	(139.8)
<b>Adjusted cash used by operations</b>	<b>(55.2)</b>	(102.6)
Adjusting items	(10.4)	(1.9)
<b>Cash used by operations</b>	<b>(65.6)</b>	(104.5)
Capital expenditure (net of disposals)	(3.4)	(5.1)
Tax received/(paid)	2.9	(3.0)
Interest paid	(1.9)	(2.1)
Payments of lease liabilities	(7.2)	(3.9)
Dividends paid (including non controlling interests)	-	(5.9)
FX and other	(0.4)	(3.8)
<b>Movement in net debt</b>	<b>(75.6)</b>	(128.3)
Opening net cash	52.4	22.2
<b>Closing net debt</b>	<b>(23.2)</b>	(106.1)

- Significant improvement in like-for-like working capital outflow reflecting lower seasonal peak resulting from Covid-19 impacted revenue/orders. CSS movement in line with expectations
- Reduced capital expenditure reflecting Covid-19 cash management actions
- Cash tax received in period as a result of repayments to CSS for tax losses
- Adjusting items reflecting cash costs associated with CSS restructuring and integration
- Increase in lease liabilities as a result of inclusion of CSS leases
- Final FY20 dividend payment made in November 2020, prior year was made in September 2019

## Working capital Analysis

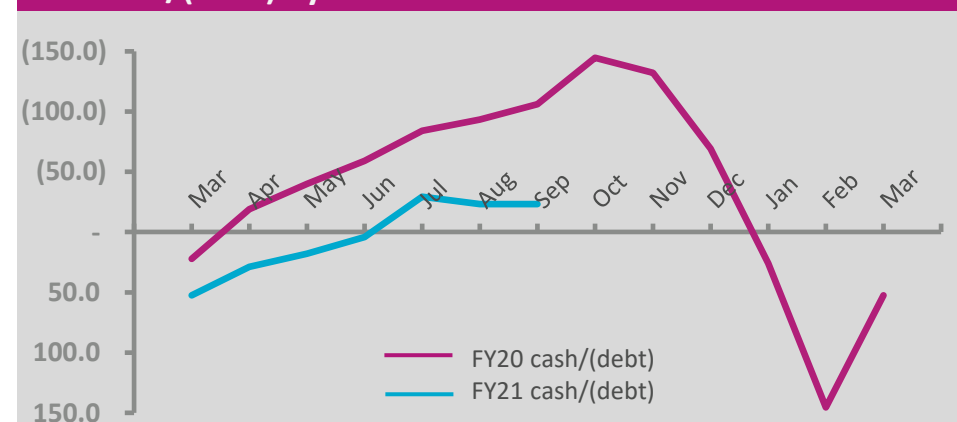
	H1 2021			H1 2020	
	\$m	\$m	\$m	\$m	Total
	CSS	Existing	Total		
Receivables	(30.6)	(139.2)	(169.8)		(143.4)
Inventory	(3.8)	(38.3)	(42.1)		(71.2)
Creditors	4.0	103.0	107.0		74.8
	(30.4)	(74.5)	(104.9)		(139.8)

## Average leverage\*



\* Average leverage is calculated as rolling 12 month average bank debt (being average debt measured before lease liabilities) divided by rolling 12 month Adjusted EBITDA reduced for lease payments

## Net cash/(debt) by month



# DG AMERICAS UPDATE



## Commercial

- Overall 75% revenue growth driven by strong demand for Craft products which have delivered a good first half CSS performance
- Q1 revenues of Design Group Americas businesses reduced by effect of Covid-19 but a stronger Q2 performance
- Successful roll-out of Impulse gift and home décor product under X&O brand
- Mass grocery, discount & e-commerce channels have proven robust and ideally geared for prevailing market dynamics



## CSS Integration

- Swiftly created a unified leadership team drawing on combined strengths
- Focussed on operational efficiency
- Injected energy and pace in product development and cross-selling opportunities
- Purchasing and sourcing opportunities identified
- Synergies are ahead of expectations both in value and timing



## Operational

- A fast response to challenge of Covid-19 resulted in manufacturing and logistics capability fully restored by end of Q1
- Next phase roll out of new ERP IT platform successfully implemented
- Scope for further efficiency gains identified with cost reduction and enhancing competitive advantage and customer service our key objective
- IT incident in October, creating some delays in shipping, not anticipated to have a material financial impact



## Christmas Orders & Trading Opportunities

- Early and large volume orders were secured for Christmas business
- Seasonal events throughout the year provide growth opportunities across customer channels and product categories
- Incremental revenue opportunities from ongoing trend of supply base consolidation by our customers
- Geographical expansion in Canada and also in Latin America to be under-pinned by further investment in dedicated resources

# DG INTERNATIONAL UPDATE



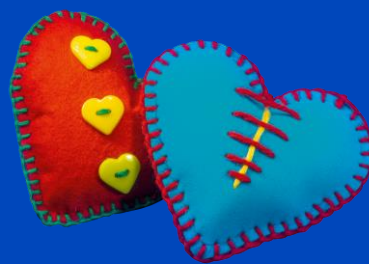
## Commercial Initiatives

- Revenues now generated across regions with geographically expanding customers, purchasing broader categories
- Growing revenues through Amazon e-tail initiative in the UK and Eco Nature sustainable product development



## Organisation

- With 25% of the Group revenue outside of the Americas, we have now reorganised to leverage this scale, whilst retaining local and regional knowledge and expertise
- Initiatives to improve operational efficiency have helped drive productivity and capacity



## Regional Trends

- With revenue anticipated to decline, a strong focus on cost management and margin mix resulted in strong profit growth in H1
- Revenue in Europe and Australia proved more resilient than in the UK where Covid-19 related 'lockdown' has impacted more significantly reflecting varying customer and channel mix



## Christmas Trading & Beyond

- On time and 'in full' order execution has optimised results despite Covid-19 reducing overall volumes
- Early feedback of product 'sell-through' is encouraging, whilst product development initiatives and related customer responses bode very well for the future



# OUTLOOK & SUMMARY

## Summary – H1 revenue is up 41%, adjusted operating profit up 13% and H1 debt down \$82.9m

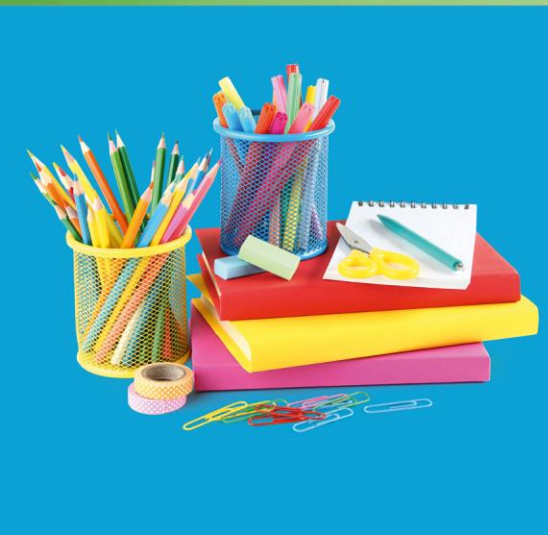
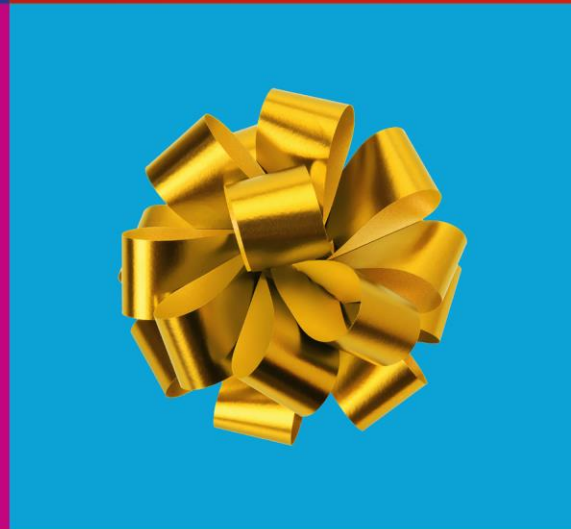
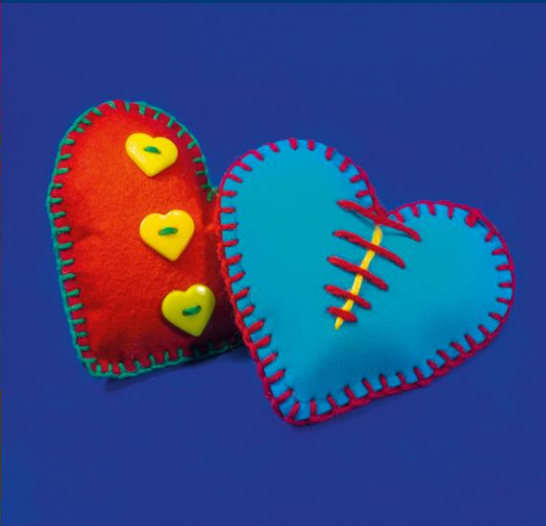
- Our strategy and resultant positive momentum that has prevailed throughout our business for many years has proven resilient to the challenges of Covid-19
  - We have responded with pace and effectiveness to the unprecedented pandemic
  - We continue to ‘work with the winners’ – this applies to customers, channels, suppliers and products

## Outlook – Full year on track to deliver ahead of market expectations

- Order book at over 80% of annual expectations and the Christmas season overwhelmingly already delivered
- The integration of CSS Industries is ahead of plan with cross-selling opportunities secured for FY22
- With a more cohesive approach to our International business we are well placed to benefit from further growth across all territories
- Our customers, products, channels and global presence provide compelling growth opportunities both organically & through carefully considered M&A

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