

11 July 2017

**Bagir Group Limited**  
**("Bagir" or the "Company")**

**Trading update**

Bagir (AIM: BAGR), a designer, creator and provider of innovative tailoring, provides the following update on its trading for the six months ended 30 June 2017.

Following on from the significant progress made in 2016, during which the Company repaid all borrowings, reduced annual costs by c.30% and created a stable platform, the Company has continued to implement its restructuring programme to create internationally competitive manufacturing bases to combine with the Company's innovative tailoring capabilities.

While the Company has made progress on all fronts it has been slower than anticipated. Development of the new production lines at our facilities in Vietnam and Ethiopia in order to support larger volume orders has progressed, but is behind the original timetable, which has impacted the Company's ability to secure these orders.

As a result of this delay, the Company's order book particularly for H2 has slowed and it now expects revenue and EBITDA for the second half of the current financial year to be materially lower than market expectations. First half revenues were approximately \$28.0m (H1 2016: \$33.5m) and adjusted EBITDA was approximately \$0.8m (H1 2016: \$0.8m). The adjusted EBITDA figure excludes a one-off capital gain of c.\$1.0m (this will increase EBITDA to c.\$1.8m). The Company expects to record a positive EBITDA contribution in the second half of this financial year.

The Company's strategy remains to focus on new orders which will generate an acceptable level of return to Bagir and, against that backdrop, Bagir achieved important client wins during the period and secured orders from a number of well known customers in France, South Africa and Australia.

In addition, on 26 June 2017 Bagir announced that it completed its acquisition of the remaining 50% shareholding in Nazareth Garments, the joint venture owner of its manufacturing site in Nazareth, Ethiopia, for a total consideration of US\$1.9 million. This site combines tariff free trade and low-production costs with good connectivity for onward distribution.

Going into the second half of 2017 and into 2018, the Company views its first mover advantage in Ethiopia as potentially transformative to its medium-to-long term prospects. The planned development of the 3200 TRS production lines in order to be able to produce larger volume orders remains on schedule to be installed by the end of 2017 and to be fully operational during H1 2018.

New product development has been an area of strength with the Company developing platforms to support made-to-measure and personalized garments. In April, six new concepts were released including: The Transit Suit; City Traveller; Pack Away; Shaper Pants; 0.755 Suit; and the Heater Body Suit. Initial orders have already been taken for some of these lines.

Eran Itzhak, Chief Executive Officer, said: "Bagir is a stable business with no bank debt and remains well placed. It is frustrating that the delays that we have experienced in the development of our manufacturing facilities have prevented us securing certain larger volume orders in the current financial year. However, we remain confident of our strategic plan and our ability in time to substantially increase our customer base. Taking 100% control of our Ethiopian site at the end of June was a significant step forward in achieving this aim."

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