

20 February 2020

Bagir Group Ltd.

(“Bagir”, the “Group” or the “Company”)

Update on status with Shandong Ruyi and 2019 Trading

Bagir (AIM: BAGR), a designer, creator and provider of innovative tailoring, confirms that it has resolved to take legal action against the Shandong Ruyi Group for breach of contract.

On 19 June 2019, the Company announced, with regard to Shandong Ruyi’s remaining cash payment of \$13.2m, that the Company had agreed to a further extension of the unconditional* completion date to 31 March 2020. The transaction was first announced on 23 November 2017.

The extension of the unconditional* completion date to 31 March 2020 was conditional on Shandong Ruyi providing suit jacket manufacturing equipment, with an estimated market value of approximately \$1.3 million, for nil consideration, for use in Bagir’s Ethiopian manufacturing facility, by the end of September 2019.

The manufacturing equipment has not, however, been delivered, to date. This further failure by Shandong Ruyi constitutes a material breach of the terms of the contract.

*All other conditions relating to the proposed investment having been completed.

Trading Update

Whilst trading conditions have remained challenging, the Company continued to generate good sales growth for the 12 months to 31 December 2019, up 9% to \$59.4m (2018: \$54.6m) and expects to deliver a return to positive adjusted EBITDA** (2018: negative adjusted EBITDA** \$1.0m). This improvement in adjusted EBITDA** has been assisted by a further reduction of operational costs completed during H2 2019.

Looking ahead, the Company is finalising a plan to establish a new production line in Ethiopia to manufacture suit jackets which requires an additional investment of approximately \$0.5m. The new line will be capable of producing 250 suit jackets per day.

The trial order for a large UK retail client will be completed and delivered during March 2020 with a \$0.85m suit order for 2020 already secured from this customer. In addition, based upon the new business pipeline there are good prospects for winning further orders from new customers during the current year.

As a result, the Board believes the Company has resources to support its current day-to-day activities and will continue to act in order to secure future growth through commercial contracts with customers and additional funding to support the Group’s plans.

Micha Ronen, CEO of Bagir said “It is disappointing to announce our decision to have to take legal action against the Shandong Ruyi Group but we have been left with no alternative. This will, however, mean our operational focus can now be solely focused on Bagir and making innovative, modern, design-led tailored garments for the world’s leading retailers.”

**The Adjusted EBITDA is a non-IFRS measure that the Company uses to measure its performance. It is defined as Earnings Before Interest, Taxation, Depreciation and Amortisation, non-cash share-based compensation and excluding other expenses/income.

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For more information about Bagir, please visit the Company's website: <http://www.bagir.c>