

Interim Results

1 May 2019

Jos

Chief Executive Officer



Group trading in line with expectations

Revenue	£732.5m	-4.4%
EBITDA	£18.0m	-25.6%
Operating profit	£13.0m	-27.8%
Adjusted PBT	£9.9m	-34.4%
Adjusted EPS	3.2p	-36.0%
Free cash flow	£5.8m	-42.0%

Prudent capital management

Capex	£2.7m	-40.9%
Net Debt	£77.5m	-7.3%

Operational progress

Priorities for FY19 on track

Smiths News applying strong cost control and driving profit improvement

Tuffnells impacted by challenges that have carried over from H2 18

Group strategy focused on business unit accountability

SmithsNews

Revenue

£639.4m -4.0%

Adjusted Operating Profit

£20.3m 20.1%



Revenue

£13.0m -3.0%

Adjusted Operating Profit

£1.3m 0.0%

Smiths News

- ▶ Focused leadership and accountability
- ▶ Removal of distractions related to Group integration
- ▶ Efficiencies in core operations offsetting revenue decline
- ▶ Excellent progress with contract renewals
- ▶ Good performance against relevant service KPIs
- ▶ Return to stability underpinning Group strategy

DMD

- ▶ Solid performance in the period
- ▶ Mitigation for loss of BA contract managed through decisive cost reduction

Tuffnells.

Revenue

£80.2m -8.1%

Adjusted operating loss

£8.6m n/a

Adjusted operating loss trend

H1 18 £0.2m loss

H2 18 £5.0m loss

Tuffnells

- ▶ Performance impacted by legacy challenges from FY18
 - ▶ Revenue decline
 - ▶ Insufficiently variable cost base
- ▶ Management actions gaining traction:
 - ▶ Increased revenue per consignment
 - ▶ Pricing and billing initiatives
- ▶ Confident of improvement in H2 with momentum going into FY20





Tuffnells

Peter
CEO Tuffnells

Tuffnells.

Transformation initiatives

- ▶ Cost reduction initiatives starting to gain traction
- ▶ Strong focus on cost management and control
- ▶ Cost-to-serve model developed and part of Tuffnells' DNA
- ▶ Loss making customers renegotiated or exited
- ▶ Targeted pricing initiatives launched
- ▶ Transition to the right product mix for our infrastructure
- ▶ Plans to increase service standards
- ▶ New business pipeline management improved
- ▶ Overall business analytics and ability to forecast enhanced
- ▶ Investing in fleet and driver retention





Tony

Chief Financial Officer



Group performance



£m Adjusted	H1 2019	H1 2018
Smiths News	20.3	16.9
DMD	1.3	1.3
Tuffnells	(8.6)	(0.2)
Group operating profit	13.0	18.0
Net finance charges	(3.1)	(2.9)
Group PBT	9.9	15.1
Tax	(1.9)	(3.0)
Group PAT	8.0	12.1
Number of shares	246.2	245.7
Earnings per share	3.2p	5.0p

Adjusting items

£m	H1 2019	H1 2018
Network and re-organisation costs	(1.3)	(0.5)
Vacant property	-	0.5
IPR settlement income	0.3	-
Sale and leaseback costs	(0.5)	-
Pension 'buy in' costs	(1.5)	-
Brierley Hill insurance claim	(0.2)	-
NMW Regulatory compliance	0.1	-
Impairment of non-current assets	-	(2.0)
Amortisation of acquired intangibles	(3.5)	(3.6)
Total before taxation	(6.6)	(5.6)
Taxation	1.4	1.1
Total after taxation	(5.2)	(4.5)

Free cash flow

£m	H1 2019	H1 2018
Operating profit – adjusted	13.0	18.0
Depreciation and amortisation	5.0	6.2
EBITDA	18.0	24.2
Working capital movement	2.4	1.8
Capital expenditure	(2.7)	(4.4)
Finance lease payments	(1.5)	(1.9)
Net interest paid	(2.6)	(3.5)
Taxation	(1.2)	(3.4)
Adjusted items	(6.8)	(2.7)
Other	0.2	(0.1)
Free cash flow	5.8	10.0

Net debt

£m	H1 2019	H1 2018
Opening net debt	(83.4)	(82.1)
Free cash flow to equity	5.8	10.0
Finance lease creditor movement	1.5	1.5
Pension deficit	(1.2)	(2.5)
Dividend paid	-	(16.5)
Disposal proceeds	-	13.7
Discontinued disposal proceeds to repay overdraft	-	-
Other	(0.2)	1.3
Discontinued operations cash flow	-	(9.0)
Closing net debt	(77.5)	(83.6)
Net debt : EBITDA	1.95x	1.86x

- Committed Bank facilities of £175m to January 2021

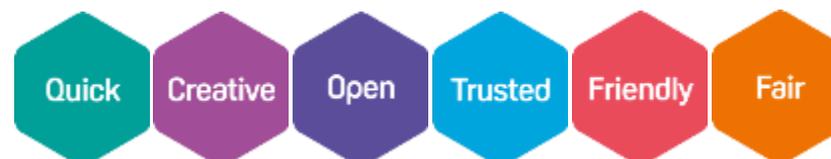
Summary and Q&A



FY19 Priorities

FY19 priorities											Status
Tuffnells H2 profitability											Initiatives gaining traction
SN contract renewals											98% magazines 65% total
SN cost savings											Outperforming expectations
											Plans, resources, model facility
Head office streamlining											Further initiatives planned
Core values roll-out											Well received and applied

 Progress – Jan 19
 Progress - Apr 19



Trading

- ▶ Overall performance in line with expectations
- ▶ Smith News exceeding expectations
- ▶ Tuffnells impacted by legacy challenges
- ▶ Central services model aiding performance

Strategy

- ▶ Smiths News strategy firmly on track
- ▶ Tuffnells turnaround focused on a sustainable fix
- ▶ Lean principles embedding across the organisation
- ▶ Balancing interests of all stakeholders

Outlook

- ▶ Overall trading in line with expectations
- ▶ Progressing sale & leaseback
- ▶ Maintaining capital management discipline



Cautionary statement



This document contains certain forward-looking statements with respect to Connect Group PLC's financial condition, its results of operations and businesses, strategy, plans, objectives and performance. Words such as 'anticipates', 'expects', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'targets', 'may', 'will', 'continue', 'project' and similar expressions, as well as statements in the future tense, identify forward-looking statements. These forward-looking statements are not guarantees of Connect Group PLC's future performance and relate to events and depend on circumstances that may occur in the future and are therefore subject to risks, uncertainties and assumptions. There are a number of factors which could cause actual results and developments to differ materially from those expressed or implied by such forward looking statements, including, among others the enactment of legislation or regulation that may impose costs or restrict activities; the re-negotiation of contracts or licences; fluctuations in demand and pricing in the industry; fluctuations in exchange controls; changes in government policy and taxations; industrial disputes; war and terrorism. These forward-looking statements speak only as at the date of this document. Unless otherwise required by applicable law, regulation or accounting standard, Connect Group PLC undertakes no responsibility to publicly update any of its forward-looking statements whether as a result of new information, future developments or otherwise.

Nothing in this document should be construed as a profit forecast or profit estimate. This document may contain earnings enhancement statements which are not intended to be profit forecasts and so should not be interpreted to mean that earnings per share will necessarily be greater than those for the relevant preceding financial period.

The financial information referenced in this document does not contain sufficient detail to allow a full understanding of the results of Connect Group PLC. For more detailed information, please see the interim results announcement for the half-year ended 28 February 2019 which can be found on the Investor Relations section of the Connect Group PLC website – www.connectgroupplc.com. However, the contents of Connect Group PLC's website are not incorporated into and do not form part of this document.

The following definitions have been applied consistently throughout this interim results announcement:

- Adjusted 2019 and 2018 results exclude adjusted items and amortisation of acquired intangibles and include the results of acquired businesses from the date of acquisition and excludes results from businesses disposed and / or held for sale in the prior period.
- Adjusted earnings per share are calculated using adjusted profit before tax and the Group adjusted effective tax rate of 19.2% for H1 2019 and 19.7% for H1 2018.
- Free cash flow is cash flow excluding the following: payment of the dividend, acquisitions and disposals, the proceeds on the disposal of freehold properties, repayments of obligations under finance leases, the repayment of bank loans, EBT share purchase, and cash flows relating to Adjusted items.
- Net debt is calculated as total debt less cash and cash equivalents. Total debt includes loans and borrowings, overdrafts and obligations under finance leases.
- H1 2019 refers to the half year ended 28 February 2019, H1 2018 refers to the half year ended 28 January 2018 and FY2018 refers to the year ended 31 August 2018.