Preliminary Results

14 October 2015

Highlights

Mark Cashmore
Group Chief Executive

Highlights

Strong performance with profits ahead of expectations

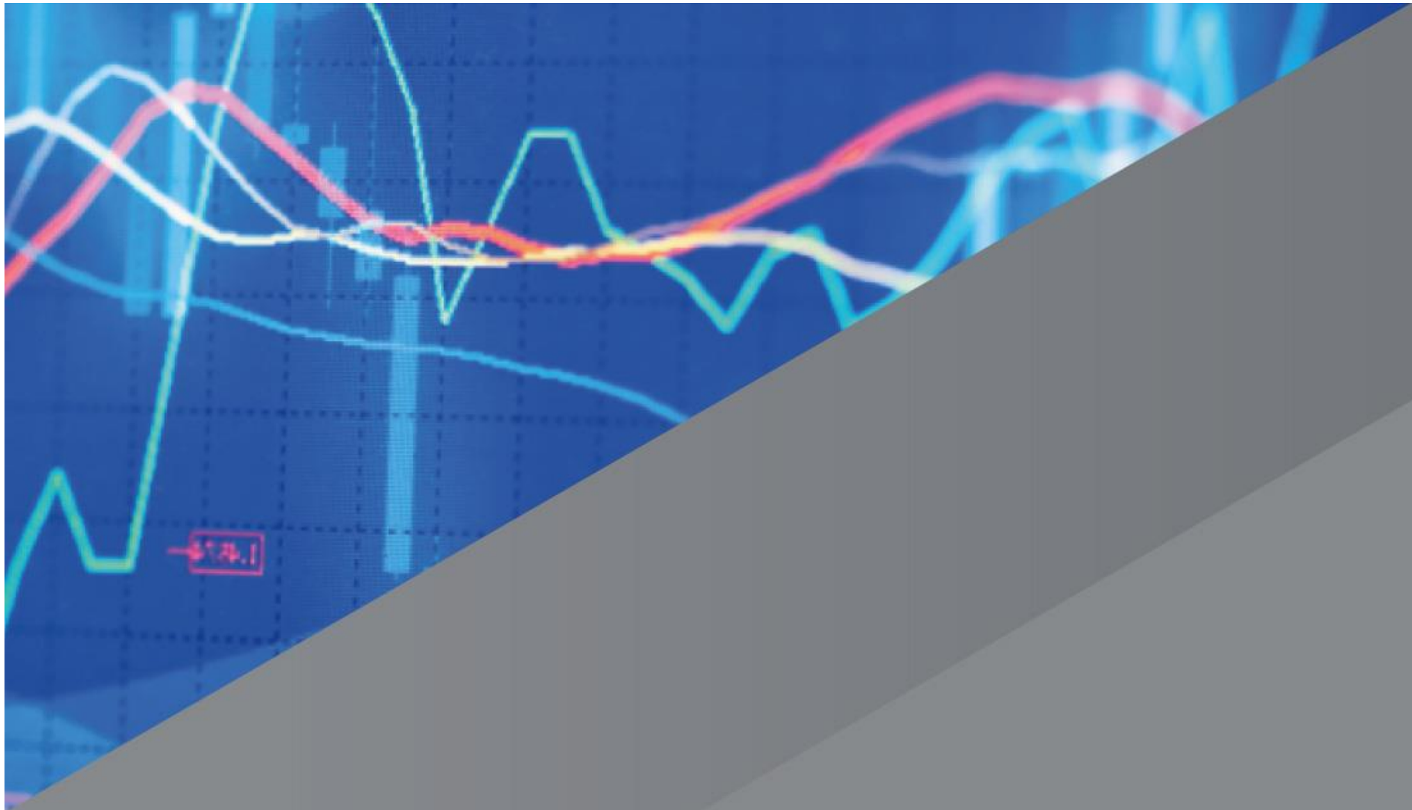
- Total revenue: £1,875.1m, +3.7%
- Adjusted PBT: £56.5m, +13.0%
- Adjusted EPS: 19.7p, +0.5%
- Free cash flow: £39.8m, +7.0%
- DPS: 9.2p, +4.5%

Transformational year for the Group

- Scale acquisition of Tuffnells Parcels Express completed December 2014
  - Excellent early performance under Connect Group ownership
- Pass my Parcel accelerated roll out: more stores, more services, more clients

Foundations in place for continuing growth

- Strategy on track with clear opportunities across the Group



Group Financial Update

Nick Gresham
Chief Financial Officer

Connect group

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 preliminary results announcement for the full-year ended 31 August 2015 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 results announcement:

- Adjusted revenue; is defined as revenue including the revenue of businesses from the date of acquisition and excludes revenue of businesses disposed of in the prior year.

- Adjusted operating profit; is defined as operating profit including the operating profit of businesses from the date of acquisition and excludes non-recurring and other items and operating profit of businesses disposed of in the prior year.

- Adjusted profit before tax; is defined as adjusted operating profit less finance costs attributable to adjusted operating profit and before non-recurring and other items; including amortisation of intangibles and network and reorganisation costs.

- Adjusted earnings per share; is defined as adjusted PBT, less taxation attributable to adjusted PBT and including any adjustment for minority interest to result in adjusted PAT attributable to shareholders; divided by the basic weighted average number of shares in issue.

- Non-recurring and other items; are material items of income or expense excluded in arriving at Adjusted operating profit to enable a more representative view of underlying performance. These include certain Mergers & Acquisitions related costs, amortisation of intangibles, integration costs, business restructuring costs and network re-organisation costs including those relating to strategy changes which are not normal operating costs of the underlying business. They are disclosed and described separately in the accounts where necessary to provide further understanding of the financial performance of the Group.

- Free cash flow; is defined as cash flow excluding the following: payment of the dividend, acquisitions and disposals, the proceeds on the disposal of freehold properties, payments of obligations under finance leases, the repayment of bank loans, EBT share purchase and cash flows relating to non-recurring and other items.

- Adjusted EBITDA; is calculated as Adjusted operating profit before depreciation and amortisation. In line with loan agreements Adjusted Bank EBITDA used for covenant calculations is calculated as Adjusted operating profit before depreciation, amortisation, non-recurring items and share based payments charge but after adjusting for the last 12 months of profits for any acquisitions or disposals made in the year.

- Net debt; is calculated as total debt less cash and cash equivalents. Total debt includes loans and borrowings, overdrafts and obligations under finance leases.

- Rebased earnings per share and rebased dividends per share adjust last year reported figures by the rights issue bonus factor adjustment of 0.9015 following the 2 for 7 rights issue in December 2014.

- Like for like revenues exclude the impact of gains and losses (including contracts, new business and acquisitions) reported in the current or prior year total revenues.

- FY 2015 refers to the full year ended 31 August 2015, FY 2014 refers to the full year ended 31 August 2014.

Group performance

£m	Aug 2015	Aug 2014	Change %
News & Media	43.7	45.2	(3.3)%
Books	2.6	2.5	4.6%
Education & Care	7.8	7.8	(0.2)%
Total before acquisitions	54.1	55.5	(2.5)%
Parcel Freight	9.7	-	-
Group operating profit	63.8	55.5	14.9%
Net finance charges	(7.3)	(5.5)	(31.8)%
Group PBT	56.5	50.0	13.0%
Tax	(11.1)	(9.3)	(20.4)%
Group PAT	45.4	40.7	11.3%

- News & Media operating profit +3.3% excluding £2.9m operating profit from World Cup sales in FY14
- Parcel Freight operating profit +10.8% on same 36 week pre-acquisition period last year

Earnings per share

	Aug 2015	Aug 2014	Change %
Profit after tax	£45.4m	£40.7m	11.3%
Minority interest	£0.1m	(£0.2m)	
Earnings attributable to shareholders	£45.5m	£40.5m	12.3%
Weighted basic shares	230.9m	186.3m	23.9%
Basic earnings per share	19.7p	21.7p	
Bonus factor	-	0.9015	
Rebased earnings per share (p)	**19.7p**	**19.6p**	**0.5%**
Basic dividend per share	9.2p	9.7p	
Bonus factor	-	0.9015	
Rebased dividend per share (p)	**9.2p**	**8.8p**	**4.5%**

- Excluding £2.9m operating profit from World Cup sales in News & Media; FY14 adjusted EPS of 18.6p results in EPS growth +5.9%

Free cash flow

£m	Aug 2015	Aug 2014
Operating profit	63.8	55.5
Depreciation and amortisation	11.6	8.0
EBITDA	75.4	63.5
Working capital	(8.0)	1.2
Capital expenditure	(9.2)	(10.3)
Net interest and fees	(5.8)	(6.1)
Taxation	(8.7)	(9.8)
Pension funding	(5.4)	(4.6)
Other	1.5	3.3
Free cash flow	39.8	37.2

Non recurring and other items

£m	Aug 2015	Aug 2014
Network and reorganisation costs	(4.4)	(3.0)
Property provisions	(0.1)	0.5
Acquisition and disposal costs	(15.1)	(0.9)
Amortisation of acquired intangibles	(7.9)	(3.0)
Impairment of acquired intangibles	-	(0.5)
Total before taxation	(27.5)	(6.9)
Taxation	3.5	1.0
Total after taxation	(24.0)	(5.9)

- Total cash cost of non recurring and other items to Aug 2015 £8.2m (FY14 £4.4m)

Net debt

£m	Aug 2015	Aug 2014
Opening net debt	(93.0)	(98.5)
Free cash flow	39.8	37.2
Dividend	(21.4)	(17.7)
Non recurring items	(8.2)	(4.4)
Acquisitions	(119.1)	(0.3)
Proceeds on issues of shares	52.1	-
Other	(3.6)	(9.3)
Closing net debt	(153.4)	(93.0)
Net debt : EBITDA	1.9x	1.4x

- Committed Bank facilities of £250m to November 2018
- Acquisitions include the recent acquisition of 49% minority interest stake in Wordery for an initial consideration of £5.2m and future potential consideration of a further £3.3m
- December 2014 net debt peak £159m, net debt/EBITDA 2.0x

Future assumptions

Parcel Freight annualisation	LTM revenue £162.6m, LTM operating profit £14.3m to Aug 2015
PMP investment	£2-3m net P&L investment in FY16
Employee related costs	£1m FY16, potential to rise to £3m over the medium term before mitigating actions
Capital investment	Circa £20m p.a. to support growth initiatives
Cash and Net Debt	Circa £45m FCF generating £10m debt pay down FY16. Target <£100m debt August 2018
Shares	Basic weighted shares of 245m

Business update

Connect News & Media

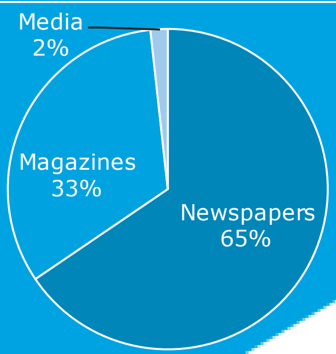
Connect News & Media

2015 YE

Total Revenue	£1,504.7m	-2.9%
News Revenue	£1,479.3m	-3.0%
Media Total Revenue	£25.4m	+1.0%
Total Profit	£43.7m	-3.3%

LFLs

► News LFL Revenue	-3.4%
► Media LFL revenue	-3.1%
► Newspapers	-3.4%
► Magazines	-4.6%



- Operating profit +3.3% excluding the impact of World Cup sales in FY14
- Total FY15 sales comfortably within strategic forecast of -3 to -5% per annum
- Resilient newspaper revenues with slower decline in magazines
- FY15 £5m cost savings fully achieved with a further £5m p.a. targeted in each of the next two years
- Organic opportunities developing at pace
  - Pass my Parcel
  - Amazon Logistics
  - Jack's Beans
- Media business revenue and profit continuing in line with expectations

Connect News & Media - strategy for growth

- Over 3,000 stores
- 65% UK coverage
- Twice daily service
- Outbound delivery
- Mobile enabled returns

- Launched in October 2014 with Amazon as our first client
- Successfully accelerated roll out to over 3,000 stores
- Volumes building through new stores ahead of key peak trading period
- Plan to achieve national coverage of 5-6,000 stores
- Agreement in principle to launch new mobile enabled returns service with new client
- FY15 net investment of £2m with a further net investment of £2-3m planned in FY16
- Significant medium term profit opportunity

Business update

Connect Books

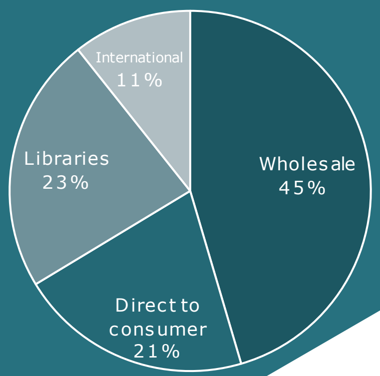
Connect Books

2015 YE

Total Revenue	£190.1m	-1.8%
LFL Revenue		+3.1%
Profit	£2.6m	+4.6%

Segmental LFLs

► Wholesale	-3.5%
► Direct to Consumer	+65.1%
► Libraries	-14.0%
► International	+1.3%



- Good progress in stabilising the business and establishing a strategy for sustainable growth
- Improved H2 performance generating full year profit growth +5%
- Improvements in operational performance driving productivity and service
- Wordery continuing impressive performance; minority interest acquired August 2015
- Improving performance in Wholesale; Libraries remain challenging
- Contract renegotiations positively impacting margin

Connect Books – strategy for growth

Bertrams
Dawson Books
wordery your online bookshop
Houtschild International Booksellers
ERASMUS

➢ Focus on customer offer in four business units

Wholesale	Direct to Consumer	Libraries	International
Refocus the Wholesale offer	Accelerate Wordery investment	Invest in Academic and Digital capability	Drive efficiency to grow profitability

Strengthen warehouse operation:
create the most efficient and effective route to market

Business update

Connect Education & Care

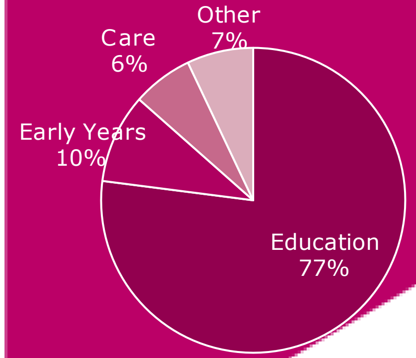
Connect Education & Care

2015 YE

Total Revenue	£65.9m	+1.7%
LFL Revenue		+1.7%
Profit	£7.8m	-0.2%

Segmental LFLs

▶ Education	+0.7%
▶ Early Years	+15.6%
▶ Care	-3.2%
▶ **Core LFL**	**+1.8%**
▶ Other	+0.3%



- Core sales +1.8% and gross margin +100 basis points with continued strength in Primary and Early Years
- Solid peak trading given market conditions
- Improving performance in H2 with operating profit +4%
- Full year results impacted by a temporary increase in warehouse management costs
- E-commerce strategy succeeding; now 25% of all school orders
- New catalogue range and own-brand sales driving margin growth
- Continue to target an increased share of school spend and geographical expansion

Connect Education & Care – strategy for growth

the consortium education

Easy shopping,

easy buying,

faultless services.

- **E-commerce**
  - Continuously improving website to achieve 50% of orders online
  - Online self-service to build customer loyalty and order frequency
- **Margin**
  - Provide greater customer choice through a wider product range
  - Increase own brand product mix
- **Service**
  - Ensure best in class operational performance
  - Investment to improve stock availability and on-time deliveries

Business update

Connect Parcel Freight

Connect Parcel Freight

2015 YE

Total Revenue	£114.4m	+19.6%
LFL Revenue		+19.6%
Profit	£9.7m	10.8%

LTM to 31 August 2015

Total Revenue	£162.6m	+17.4%
Profit	£14.3m	+8.3%

4 Year CAGR to 31 August 2015

Revenue	+10.4%
Operating profit	+11.7%

Top 5 segments by revenue

Construction	16.4%
Textiles	16.2%
Automotive	14.1%
Office supplies	6.4%
Metals & Engineering	6.0%

- Strong profit and revenue performance
- Scale business with unique characteristics in a growing market
- Ongoing focus on operational performance
- Investment in service and supply chain creates opportunity for new and premium offers
- Integration and cost synergies remain on track
- Chris Ward appointed as MD and further strengthening the existing management team

Connect Parcel Freight – strategy for growth

The growth story

- 4,300 customers UK wide
- Over 10m deliveries p.a.
- 35 depots nationwide
- Over 1,000 vehicles

Market and competitive position continues to strengthen

- £740m addressable market; forecasting growth 4-5% p.a.
- Expertise and focus on IDW freight with distinct operational model

Optimise volume growth

- Targeted network expansion to create required capacity
- Fleet investment to support leading service

Exploring Group opportunities

- Tuffnells supporting Pass my Parcel in Smiths News
- Smiths News supporting last mile distribution for Tuffnells
- Network and shared infrastructure across the Group

Summary & outlook

Summary & outlook

A strong performance in a transformational year

Strategy on track with clear growth opportunities across the Group

Connect News & Media — Cost savings continuing to mitigate revenue decline in the short term
PMP growth expected to offset core business decline in the medium term

Connect Books — Doubling divisional profit in three years driven by Wordery growth

Connect Education & Care — Outperform the market with focus on service, margin and e-commerce

Connect Parcel Freight — Grow ahead of the market driven by service and additional capacity

Connect group — Leveraging commercial, operational and capital management opportunities

Current trading for FY16 started in-line with management expectations

Connect group