



TRADING UPDATE

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Connect Group PLC
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For immediate release

13 June 2018

This announcement contains inside information

**Connect Group PLC
("Connect Group" or the "Group" or the "Company")**

TRADING UPDATE

Connect Group PLC is today issuing a Trading Update covering the period to 2 June 2018.

Headlines

- Overall performance since the Group announced its interim results on 1 May 2018 has been extremely disappointing, and the Company has materially reduced its expectations for full year profit before tax
- The Group has decided to close Pass My Parcel and wind down the associated Parcel Shop network
- The Full Year Dividend for FY2018 will be substantially reduced from that paid in FY2017
- As a consequence the Group is announcing senior executive changes

Reduced full year expectations

The Board has materially reduced its expectations for full year Adjusted profit before tax, as a consequence of:

- A material fall in volume and increased cost through Tuffnells peak
- Increased costs in Pass My Parcel
- Disappointing sales of World Cup related products in Smiths News
- Delays in realising planned cost savings across the Group

Tuffnells

As reported in May 2018, the IDW market is currently volatile. For the first three months of the second half Tuffnells' external revenue of £43.5m is down by 12.3% (FY2017 £49.6m), and year to date revenue of £130.8m is down by 3.9% (FY2017: £136.2m). This has a disproportionate impact on profit for the full-year as the need to maintain Tuffnells' core service means costs cannot reduce in line with the shortfall.

We now expect Tuffnells full year performance to be no better than the first half. As a consequence, the Group expects to impair the intangible assets of the business.

Early Distribution

Total revenue in Early Distribution (comprising Smiths News, PMP and DMD) was £1,026m, a decrease of 2.9% (FY2017: £1,056m).

Sales of core newspapers and magazines remain in line with expectations; however, the benefit of World Cup related product is currently weaker than anticipated.

Pass My Parcel margins have further worsened year to date and we now expect full year operating losses (prior to closure provisions) from PMP to increase from those incurred in FY2017.

Closure of Pass My Parcel

After a careful review of the prospects for Pass My Parcel, the Group has decided to close the proposition and wind down its associated network of local retailers. We are currently in discussion with key clients to effect as orderly a withdrawal as possible. In the meantime we are working to ensure costs can be removed in line with the profile of the closure of operations.

The Group plans to make a provision this financial year for all closure and onerous contract costs to be incurred in FY2019. Details of the ongoing contractual requirements and their associated costs will be confirmed at our preliminary results in November.

Dividend

In light of the revised profit expectations the Group confirms that the Full Year Dividend for FY2018 will at a minimum be substantially reduced from that paid in FY2017. As announced in May 2018, we will give further details of a revised capital allocation strategy at the Group's Preliminary Full Year Results on 6 November 2018.

Executive changes

Mark Cashmore, Group Chief Executive will be stepping down from his position. An external search for a replacement is underway. Mark will remain with the business for sufficient time to ensure an orderly transition to new leadership.

David Bauernfeind, Chief Financial Officer, will leave the business with immediate effect.

Tony Grace will join the Group as interim CFO from Monday 18 June. Tony brings strong and relevant experience, most recently as CFO at Yodel, and previously in senior roles at Virgin Media and Telewest.

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