

Connect Group PLC
(“Connect Group” or “the Group”)

TRADING UPDATE

Connect Group PLC is today issuing its Trading Update covering the 45 week period to 15 July 2017.

Overall performance continues to be in line with expectations with a stronger second half from News & Media offsetting softer trading in Parcel Freight.

Total Group revenue for continuing operations of £1,497.5m (2016: £1,517.6m) has decreased by 1.3% year to date, a consequence of the anticipated decline of newspaper and magazine sales, offsetting revenue growth in our other markets.

The sale of the Group's Education & Care division to RM plc completed on 30 June 2017, for a cash consideration of £56.5m, delivering an Internal Rate of Return of 10% over the lifetime of our ownership. The disposal is a milestone in the Group's strategy to focus future investment on core operations, facilitating the transition to becoming an integrated specialist distribution business.

The Group has also maintained progress with key initiatives in its core markets:

News & Media

Sales in Smiths News remain in line with our strategic forecast; total revenue of £1,125.8m (2016: £1,173.7m) decreased by 4.1% with newspapers continuing to perform more strongly than magazines. Media total revenue of £24.7m (2016: £23.2m) has increased by 6.1%. Planned efficiencies of £5m in the year will be fully delivered, and a robust operational performance with ongoing cost control, is contributing to a strong second half. The new regional hub at Hemel Hempstead is operational and making good progress.

Parcel Freight

Total revenue of £157.3m (2016: £151.3m) has increased by 4.0% driven largely by price increases. Despite a successful spring peak for consignment volumes, market competition is limiting revenue growth, and the efficiency benefits from our investments in the business are coming through more slowly than anticipated. As a consequence, overall performance has followed the same trend as the first half of the year.

Pass My Parcel

Pass My Parcel's volume run rate has continued to increase, driven by a combination of core growth, new client partnerships and the development of additional services. Total parcels handled in June 2017 averaged 23,400 per week, up 149% on the same period last year. Customer service and operational performance has remained strong throughout.

Good progress is being made in leveraging the Group's capabilities in B2B final mile and early-morning delivery, attracting a growing client pipeline with a range of service propositions. We expect our contract with UK Mail to handle returns and failed household deliveries to commence in 2018, following the implementation of supporting IT.

Books

Total revenue of £189.7m (2016: £169.4m) has increased 12.0% with continued strong sales in UK Wholesale and Wordery, offset by weaker sales in Libraries. The recent announcement of the Joint National Consortia framework agreement saw Dawson Books re-listed as a leading supplier, a strong result reflecting the quality of our offer; the framework agreement takes effect from 1 August 2017 for a minimum of two years. The first phase of new automated packing technology is now installed at the Norwich hub and contributing to efficiency savings that will help to mitigate future increases in the National Living Wage.

Integration

The Group's strategy for integration is focused on the delivery of cost synergies between News & Media and Parcel Freight, group overhead and structure, as well as providing a broader customer proposition leveraging the combined strengths of our two specialist distribution networks, creating additional growth opportunities. We will update the market on progress at the preliminary results.

There has been no change in the underlying financial condition of the Group since the interim financial results announcement on 25 April 2017.

The Group will announce its preliminary results for the full year ending 31 August on 26 October 2017.

Enquiries:

Connect Group PLC

Mark Cashmore, Group Chief Executive Tel: 01793 563641
David Bauernfeind, Chief Financial Officer

Buchanan

Richard Oldworth
Tel: 020 7466 5000

About Connect Group

Connect Group PLC is a leading specialist distributor operating in large and diverse markets. The Group has three divisions which connect suppliers to customers in an efficient, knowledgeable and service oriented way:

Connect News & Media - Encompassing: Smiths News, Dawson Media Direct and Pass My Parcel. Smiths News is the UK's largest newspaper and magazine wholesaling business with an approximate 55 per cent. market share. It distributes newspapers and magazines on behalf of major national and regional publishers, serving approximately 30,000 customers across England and Wales on a daily basis. Customers include large general retailers as well as smaller independent newsagents with approximately 40 million newspapers supplied weekly. Dawson Media Direct is an international media direct business supplying newspapers, magazines and inflight entertainment technology and content to over 80 airlines in 50 countries. Pass My Parcel, a wholly-owned 'click and collect' delivery service, operated by the Smiths News business, has a network of over 3,000 parcel shops and clients which include Amazon and ASOS.

Connect Parcel Freight - Tuffnells is a leading provider of next-day B2B mixed parcel freight consignments, specialising in items of irregular dimension and weight ("IDW"), examples of which include bulky furnishings, building materials and automotive parts. Tuffnells offers distribution coverage throughout the UK through a network of 37 depots and operates a largely depot-to-depot operational model, delivering over 13 million consignments per annum, through a wide range of services to over 4,500 customers focusing on SMEs.

Connect Books - A leading distributor of printed and digital books, combining a number of recognised brands, including Bertrams, Dawson Books, Houtschild, Erasmus and Wordery. The division supplies a mix of traditional and online booksellers, academic and public libraries and direct to consumer through Wordery.