



Trading Update

Released : 14 Sep 2018 07:00

RNS Number : 7554A
Connect Group PLC
14 September 2018

For immediate release

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 final quarter of the financial year to 31 August 2018.

Trading

Smiths News continues to demonstrate its resilience. Newspapers sales have held up to management forecasts, with magazine sales weakening a little further in the final quarter. The World Cup delivered lower sales of stickers and albums than in previous tournaments but was consistent with revised expectations.

Conditions in the parcel freight market have continued to be challenging, with actions to improve service and efficiency having had limited time to influence financial performance in the period. As a consequence, Tuffnells' second half performance is expected to be worse than H1 2018.

NMW regulatory compliance

The Group has been in discussion with HMRC regarding an historic underpayment in relation to a misapplication of national minimum wage legislation in Tuffnells. Although dialogue continues, it is expected that a provision amounting to between £1.0m and £1.5m will be made in the FY2018 accounts in respect of any potential liabilities, of which approximately two thirds will impact operating costs in the year.

Closure of Pass My Parcel

The Group's plan to close Pass My Parcel announced in June 2018 has proceeded at pace and we can confirm that agreement has been reached with key clients to wind down operations and exit onerous contracts. Deliveries and collections representing over 95% of volumes ceased during August 2018 and distribution services for the remaining clients will end by January 2019; the contractual arrangements for the provision of IT services to one client are expected to continue throughout FY2019.

The swifter than anticipated exit from onerous contracts has led to additional operating losses in the period but is expected to have a positive impact on the level of provision required for closure costs in FY2019. Operating losses from the date of the Board's decision to close Pass My Parcel will be excluded from the Group's full year Continuing Adjusted Operating Profit.

Organisation review

On 1 September 2018, Jos Opdeweegh joined the Group as Chief Executive Officer. Jos is leading a review of the Group's strategy, including how best to leverage our operational excellence and network capability.

The Group expects to make a provision in FY2018 for the completion of further organisation restructure that is already underway to deliver improved process and efficiency across both the operating businesses and supporting central services.

Resolution of HSE prosecution

On 11 September 2018, Tuffnells was fined £1.5m in relation to a fatality at its Brierley Hill depot that occurred in January 2016. Tuffnells fully cooperated with the Health & Safety Executive's investigation and the fine levied is in line with the financial provision made by the company in FY2016. The Group deeply regrets the tragic incident and has subsequently made an extensive programme

of investments to improve Health & Safety compliance and culture across the organisation, as was acknowledged by the sentencing court.

Overall performance

In summary, trading in the period has seen a continuation of the challenging trends experienced throughout the year; as a result, the Group expects its full year trading performance to be below expectations.

Preliminary results

The Group's preliminary full year results for the year ending 31 August 2018 will be announced on 6 November 2018.

Enquiries:

Connect Group PLC
Tony Grace, Chief Financial Officer
www.connectgroupplc.com
01793 563721

Buchanan
Richard Oldworth
connect@buchanan.uk.com
www.buchanan.uk.com
020 7466 5000

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

END

TSTUO AURWAAKAUR
