

Interim Results

1 May 2018

Trading

▶ Revenue	£766.5m	-3.4%
▶ Adjusted PBT	£15.1m	-30.3%
▶ Adjusted EPS	5.0p	-28.6%

Capital management

▶ Free cash flow	£10.0m	495.1%
▶ Net Debt	£83.6m	44.2%
▶ DPS	3.1p	0.0%

Operations

- ▶ Smiths News - resilient performance with benefit of World Cup in H2
- ▶ DMD – good profit growth driven by cost efficiencies
- ▶ Pass My Parcel - proposition to be re-engineered
- ▶ Tuffnells – clear plan for improvement
- ▶ Transformation benefits progressing, but now weighted to FY19

Group Financial Update

David Bauernfeind
Chief Financial Officer



Group performance – continuing operations



£m Adjusted	Feb 2018	Restated Feb 2017	Change %
Early Distribution	18.2	20.7	-11.9%
Tuffnells	(0.2)	4.3	-105.8%
Group operating profit	18.0	25.0	-28.0%
Net finance charges	(2.9)	(3.3)	12.7%
Group PBT	15.1	21.7	-30.3%
Tax	(3.0)	(4.5)	33.3%
Group PAT	12.1	17.2	(29.7%)
Number of shares	245.7	245.0m	0.3%
Earnings per share	5.0p	7.0p	-28.6%

Adjusting items – continuing operations

£m	Feb 2018	Restated Feb 2017
Network and re-organisation costs	(0.5)	(1.4)
Vacant property	0.5	-
Acquisition and disposal costs	-	(0.9)
Pension credit	-	0.7
Impairment of non-current assets	(2.0)	-
Amortisation of acquired intangibles	(3.6)	(3.6)
Total before taxation	(5.6)	(5.2)
Taxation	1.1	1.1
Total after taxation	(4.5)	(4.1)

- The cash cost of Adjusting items relating to continuing operations in H1 2018 was £2.7m (H1 2017: £3.5m)

Continuing free cash flow

£m	Feb 2018	Restated Feb 2017
Operating profit – adjusted	18.0	25.0
Depreciation and amortisation	6.2	5.5
EBITDA	24.2	30.5
Working capital	1.8	(9.4)
Capital expenditure	(4.4)	(8.2)
Finance lease payments	(1.9)	(2.2)
Net interest and fees	(3.5)	(2.3)
Taxation	(3.4)	(4.5)
Adjusted items	(2.7)	(3.5)
Other	(0.1)	1.3
Free cash flow	10.0	1.7

Net debt

£m	Feb 2018	Restated Feb 2017	Aug 2017
Opening net debt	(82.1)	(141.7)	(141.7)
Free cash flow to equity	10.0	1.7	28.7
Pension deficit	(2.5)	(2.4)	(4.8)
Dividend paid	(16.5)	(15.9)	(23.6)
Disposal proceeds	13.7	-	58.2
Discontinued cash flow	(9.0)	6.8	(1.1)
Finance lease creditor & other	2.8	1.6	2.2
Closing net debt	(83.6)	(149.9)	(82.1)
Net debt : EBITDA	1.47x	1.86x	1.22x

- Committed Bank facilities of £175m to January 2021
- Disposal proceeds of £13.7m includes £13.4m from Books and £0.3m from Education & Care

Business update

Early Distribution

SmithsNews

Revenue

£662.2m -4.2%

Profit

£20.4m -7.3%



Revenue

£13.4m -4.9%

Profit

£1.3m 23.0%

Smiths News

- ▶ Resilient performance
- ▶ Revenue in line with medium-term forecast
- ▶ Service levels remain strong
- ▶ £5m sustainable efficiencies second half weighted
- ▶ Boost to sales in H2 from World Cup
- ▶ Well positioned for publisher contract renewals

DMD

- ▶ Mix of contract changes and demand impacting revenue
- ▶ Cost savings driving profit improvement

Early Distribution



Send · Collect · Return

Total Volume

1.9m 389%

Revenue

£3.4m 250%

Loss

£3.5m -45.8%



Pass My Parcel

- ▶ Volume growth driven by Amazon consumer returns
- ▶ Strong service KPIs proving last mile capability
- ▶ Sub-scale operation driving costs
- ▶ Last mile contracts proving better fit to capability

Proposition re-engineering

- ▶ A sustainable proposition for our role in the value chain
- ▶ Leverage proven last mile capability
- ▶ Lower and more flexible cost base
- ▶ Further clarity at July 2018 trading update

Revenue

£87.3m 0.9%

Loss

£0.2m -105.8 %



Tuffnells

- ▶ Revenue growth behind expectations in a tough market
- ▶ Quality of revenue impacting profitability
- ▶ Costs significantly challenged in the period
 - ▶ Driver vacancies
 - ▶ Service rectification
 - ▶ Management attrition
- ▶ Actions in hand for H2 turnaround
 - ▶ Cost and service improvement
 - ▶ New commercial team
 - ▶ Preparation for Peak trading
- ▶ Strong underlying market with good fit to the Group

Summary

A challenging first half

- ▶ Continued resilience of Smiths News and DMD
- ▶ Tuffnells and Pass My Parcel driving Group under-performance
- ▶ Transformation savings progressing slower than planned
- ▶ Net debt of £83.6m, down £66.3m year on year
- ▶ Interim dividend 3.1p

Second half priorities

- ▶ Revised Click & Collect proposition
- ▶ Performance improvement of Tuffnells
- ▶ Driving efficiencies in Smiths News

Outlook

- ▶ No change to revised full year expectations of £42m-£45m Adjusted PBT

Discontinued operations & Adjusted items

£m	Feb 2018	Restated Feb 2017
Adjusted profit before tax	1.6	3.3
Taxation	(0.3)	(0.7)
Profit from discontinued operations	1.3	2.6
Adjusted items - discontinued		
Loss on disposal of subsidiaries	(10.5)	-
Acquisition and disposal costs	(0.2)	(0.6)
Amortisation of acquired intangibles	-	(1.1)
Total before taxation	(10.7)	(1.7)
Taxation	-	0.3
Total after taxation	(10.7)	(1.4)

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.

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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 2018 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 2018 and 2017 results exclude exceptional 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 19.7% for H1 2018 and 20.6% for H1 2017.
- 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 2018 refers to the half year ended 28 February 2018, H1 2017 refers to the half year ended 28 February 2017 and FY2017 refers to the year ended 31 August 2017.