Interim Results

25 April 2017

Highlights

Continuing Operations

Total revenue	£911.8m	-0.6%
Adjusted PBT	£23.3m	-4.8%
Adjusted EPS	7.6p	-5.3%
Free cash flow	£12.4m	-31.2%
DPS	3.1p	+3.3%

Highlights

- Proposed sale of Education & Care – strategic milestone to focus Group priorities
- Resilient performance of News & Media – on track to achieve £10m efficiencies
- Pass My Parcel new contracts and services giving momentum for second half
- Parcel Freight revenue growth of 5.1% and investment for sustainable growth
- Books revenue growth of 14.4% driven by Wholesale and Wordery
- Leverage reduced to 1.8x – falling to circa 1.2x on completion of disposal of Education & Care
- Dividend of 3.1p reflects confidence in the ongoing prospects of the Group
- No change in full year expectations

Group Financial Update

David Bauernfeind
Chief Financial Officer

Group performance – continuing operations

£m Adjusted	Feb 2017	Feb 2016	Change %
News & Media	20.7	20.9	-1.3%
Parcel Freight	4.3	5.0	-13.9%
Books	1.6	1.9	-13.5%
Group operating profit	26.6	27.8	-4.4%
Net finance charges	(3.3)	(3.3)	1.5%
Group PBT	23.3	24.5	-4.8%
Tax	(4.8)	(5.1)	6.6%
Group PAT	18.5	19.4	-4.3%
Number of shares	245.0m	242.6m	1.0%
Earnings per share	7.6p	8.0p	-5.3%

Exceptional items – continuing operations

£m	Feb 2017	Feb 2016
Network and re-organisation costs	(1.4)	(0.5)
Acquisition and disposal costs	(0.9)	(1.8)
Pension credit	0.7	-
Amortisation of acquired intangibles	(4.1)	(4.4)
Total before taxation	(5.7)	(6.7)
Taxation	1.2	1.4
Total after taxation	(4.5)	(5.3)

- The cash cost of Exceptional items relating to continuing operations in H1 2017 was £4.2m (H1 2016 £6.5m)

Group free cash flow

£m	Feb 2017	Feb 2016
Operating profit - statutory	28.3	30.6
Depreciation and amortisation	6.9	6.6
EBITDA	35.2	37.2
Working capital	(4.1)	(6.1)
Capital expenditure	(9.4)	(5.7)
Net interest and fees	(2.3)	(2.5)
Taxation	(5.3)	(3.1)
Pension funding	(2.6)	(2.6)
Other	0.9	0.8
Free cash flow	12.4	18.0

Net debt

£m	Feb 2017	Feb 2016	Aug 2016
Opening net debt	(141.7)	(153.4)	(153.4)
Free cash flow	12.4	18.0	49.6
Exceptional items	(4.2)	(6.9)	(10.8)
Dividend	(15.9)	(15.3)	(22.7)
Finance lease payments & other	(0.5)	(3.3)	(4.4)
Closing net debt	(149.9)	(160.9)	(141.7)
Net debt : EBITDA	1.8x	2.0x	1.7x

- Committed Bank facilities of £240m to November 2018

Business update

2017 H1

Total Revenue
£706.7m - 3.3%

Total Adj. Op Profit
£20.7m - 1.5%

News Revenue
£692.5m -3.5%

News Profit
£19.6m -1.7%

Media Revenue
£14.2m 6.9%

Media Profit
£1.1m 5.9%

News Distribution

- Resilient performance from our largest business
- Revenue remains in line with medium-term forecast
- Newspapers performing more strongly than magazines
- £10m sustainable efficiencies by FY2018
- Hemel Hempstead – key network development
- Pass My Parcel – new services and new clients

Media

- New contracts and initiatives driving revenue growth
- Airline withdrawals will impact H2 revenue
- Opportunities in new territories and digital content

Pass My Parcel

- Volume of 0.39m, up 44% - but taking longer to build
- Cost of investment set to reduce as volume grows
- New services launched since Christmas:
  - **Returns** for Amazon and French Connection
  - **SEND** – a 'consumer to consumer' service for marketplace sellers
- Developments for second half:
  - **UK Mail** – returns and redirecting 'failed deliveries' to parcelshops
  - **H&M** – in-store click and collect trial
- Strong service KPIs and positive feedback from customers
- Extensive pipeline of new clients and services

Parcel Freight

Connect Parcel Freight

2017 H1

Total Revenue
£86.6m 5.1%

Adj. Op Profit
£4.3m -13.9%

- Strong demand maintained despite wider economic uncertainty and competitive environment
- Net new customer growth of 220, up 5% in the period
- Investment to strengthen capability and support growth
  - £1.5m investment in management and operations
  - Launch of ‘My Tuffnells.com’ to improve customer service
  - European partner service launched
- On-going action to improve consistency of operating processes
- Confidence in strong H2 performance

Books

2017 H1

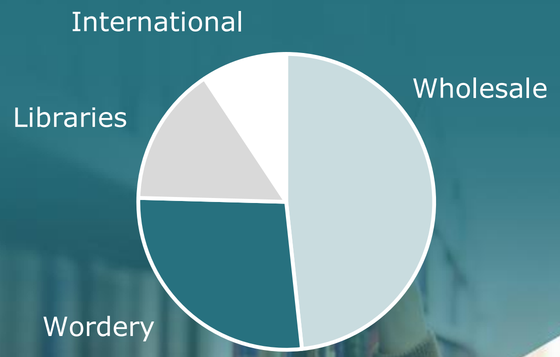
Total Revenue
£118.5m +14.4%

Adj. Op Profit
£1.6m -13.5%

Segmental revenue

Wholesale	+18%
Wordery	+27%
Libraries	-7.4%
International	+10%

Revenue %



- Strong top line, growing market share
- Profit impacted by increased costs
- Revenue growth from Wholesale with high demand over peak
- Wordery continues to grow, with further expansion to USA
- Libraries remain challenged by funding austerity
- Investment in new automation to reduce cost as volumes grow

Connect Education & Care

2017 H1

Total Revenue

£28.7m	-9.1%

Adj. Op Profit

£1.7m	-38.8%

Segmental revenue

Early Years	- 0.1%
Education	-6.4%
Care	-29.7%
Core	-7..3%
Other	-40%

Education & Care

- Proposed sale approved by RM plc shareholders
- Completion now pending approval of CMA
- Uncertainty over school budgets depressing spending
- New contract serving schools in Northern Ireland
- E-Commerce now delivering 45% of school orders
- Online education community portal attracting 4,000 members

Summary & outlook

Summary

- Proposed sale of Education & Care a significant milestone
- Resilient financial performance in what have been competitive markets
- Investments to grow capability and create new opportunities maintained
- Dividend of 3.1p reflects confidence in the ongoing strength of the Group

Outlook

- Completion of the sale of Education & Care will further reduce debt and support strategic goals
- No change in full year management expectations

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 interim results announcement for the half-year ended 28 February 2017 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 2017 and 2016 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 20.60% for H1 2017 and 21.0% for H1 2016.

- 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 exceptional items and other 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 2017 refers to the half year ended 28 February 2017, H1 2016 refers to the half year ended 29 February 2016 and FY2016 refers to the year ended 31 August 2016.