Grafenia plc

Trading Update

RNS Number : 9376P
Grafenia plc
24 February 2016

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("Grafenia" or "the Company")

Trading Update

Post the last market update, trading has been more challenging in the Company's domestic channels.

Our markets have never been more competitive, with established players, aggressive pricing from new European entrants and domestic commercial printers diversifying into the trade print sector. We are continuing to experience downward price pressure, which has intensified in the second half of the financial year. To combat this, we have increased our promotional activity, incentives and selective discounting.

Following the disposal of our Dutch operations, the Board undertook a strategic and operational review of the business to reduce costs. We have renegotiated or ended certain supplier contracts, closed an underperforming store and reduced head count. However, we will not realise the full benefit of these savings until the first half of the next financial year.

As a result of this and the challenging trading conditions, it is the Board's view that our full year results will be significantly below current market expectations.

We recently completed an extensive consultation exercise with existing printing.com franchisees. In response we launched a simplified printing.com subscription model in February at 'Expoganza' exhibitions in Manchester, London and Bristol. Under the new subscription model, partners licence w3p in conjunction with geographic exclusivity for the printing.com brand in their local territory. They can also elect to receive orders from the newly upgraded printing.com website in their postcode area. Whilst it is only a few weeks since we have begun marketing this new model, we are encouraged that several Marqetspace clients have expressed interest and it is conceivable that we will materially grow the number of printing.com partners during the next financial year.

Marqetspace, our online trade service for printers and resellers has continued to grow and attract new clients, with over 1,800 having placed orders. We expect an annualised monthly run rate of £3m by the year end.

Our focus for Marqetspace is to attract more professional buyers and extend our share of products they buy, by helping them sell into new markets.

The three Expoganza exhibitions, previously mentioned, attracted around 500 graphic professionals from across the country, who came together to explore how we could help them enter the growing digital textiles market. We met new prospects, Marqetspace clients and partners from printing.com and Nettl. Although the events were primarily intended to launch our new 'ink on fabric' display range, we also met new potential partners for each of our SaaS and subscription models. Clients placed fabric orders at the events and we are confident that digital textiles will become an increasingly important part of our product range.

Brambl, our website design tool for graphic designers is gaining traction, with over 100 active professional subscribers across our channels. Brambl is a low commitment way for partners to try our software and is a potential upgrade source for future Nettl web studios. Indeed, five Brambl subscribers have so far upgraded to Nettl.

Our new retail web studio formula, Nettl, is building momentum. Today we have 50 Nettl web studios open or training and a strong pipeline of potential partners, from our printing.com network and Marqetspace clients. Nettl studios continue to purchase printing at trade prices. The Directors believe we have the opportunity to grow Nettl into the UK's largest network of ecommerce and web studios.

Our focus remains on attracting more graphic professional partners and continuing to grow licence fee income by providing know-how, systems and marketing.

Following an external search, by an independent third party, the Board is pleased to confirm the appointment of Peter Gunning as CEO on a permanent basis. This recognises his performance and progress in reshaping the business and stabilising partner relationships.

We intend to update the market with a pre close statement on Thursday 7th April 2016

For further information:

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