

Grafenia plc

Trading Update, board changes & notice of results

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Grafenia plc

10 April 2017

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

GRAFENIA PLC
(THE 'COMPANY' OR THE 'GROUP')
PRE CLOSE TRADING UPDATE, BOARD CHANGES AND NOTICE OF RESULTS

Trading

Grafenia plc (AIM: GRA) announces that, since our previous update released on 21 February 2017, trading conditions have been mixed. Transactional print revenues in February ended behind the same period last year. However, revenues from print in March were strong, significantly ahead of both our internal budget and the same period last year.

The Board expects full year results to be in line with revised market expectations for revenue, EBITDA and net cash. This year the effect of revising the useful economic life of software & capitalised development from five to a more prudent three years is expected to increase amortization by £150k for the period. Consequently, whilst we expect EBITDA to be in line with market expectations, we expect EBIT to be below them.

We are delighted to report that we have more than doubled the number of our Nettl studios to 108 in the period, which is more than expected. Nettl partners pay a monthly subscription of typically £399 to use our training, software and marketing to sell websites, ecommerce, display and printing. Our sales activity continues to attract new Nettl partners and we expect to further significantly scale the network in the coming financial year, both in the UK and in other countries. We have also continued to attract new printing.com partners and have a steady pipeline of potential new locations. As a result, we expect our licence fee income to be ahead of last year.

Marqetspace.com, our online print channel for graphic professionals, has continued to grow and has transacted with over 2,800 clients to date. March set new records for total revenue, total gross margin, average client order value and spend, and the number of new clients placing their first order. Marqetspace remains our main source of new Nettl and printing.com partner talent.

We manufacture and sell 'ink-on-fabric' exhibition displays and soft signage via Marqetspace and our printing.com and Nettl partners. Ink-on-fabric display sales in March exhibited strong growth across all channels, with a record number of orders and overall revenue 40%

higher than any other month.

In January, we acquired ADD Signs, our first signs business. The integration is progressing well and the revenue generated has been ahead of forecast. We are targeting further value accretive acquisitions in this and other sectors, to both scale our Nettl network more quickly and grow value for our shareholders by acquiring complementary businesses.

Board Changes

Pavel Begun has announced that he will retire from the Board at the AGM in July.

Peter Gunning, CEO of Grafenia plc said "On behalf of the Board, I'd like to thank Pavel for his contribution and perspective over the years. From a personal viewpoint, I am particularly grateful for his support and guidance since I took over as CEO."

The Board also announces that, following the resignation of the previous Chairman in August 2016, and interim rotations, it has appointed Jan Mohr as Chairman with immediate effect. Jan joined the Board as a Non-Executive Director in March 2016.

Peter Gunning commented "It's been a year since Jan joined the Board. In that time his challenging insights have added significant value to our thinking. We look forward to working with him more deeply in his new role as Chairman."

Jan Mohr, Chairman of Grafenia plc said "I am delighted to take on the role of Chairman to assist Peter and his team with the ongoing transformation effort. A lot of things are in flux at Grafenia, but change is leading towards a simpler, more focused business model centred on our brand partners. Every transformation comes with risks and uncertainty, however my belief in the future of Grafenia is founded on the embedded quality of the team, their hard work and relentless drive to exceed our customers' expectations. In addition, we have significantly improved internal controls and planning capabilities to pursue rational and opportunistic redeployment of cash-flows. Following Pavel's departure after the forthcoming AGM, we have decided that we will reduce the number of non-executives to two, including myself, and to reduce the compensation we receive by 25%."

Share buybacks

Each year the Board seeks shareholder consent at the Company's AGM to make share buy-backs within certain parameters and intends to do so at the next AGM. Since 2008, the Company has, in aggregate, purchased 2.76m shares and presently holds 2.1m shares in Treasury.

The Board has established an enhanced forecasting process that models different scenarios of cash generation. Based on this analysis, an internal valuation of the Group is derived.

The Board will use this model on an ongoing basis to determine whether share buy-backs represent good value and are an appropriate allocation of capital at any point in time, subject always to complying with relevant rules and regulation. If the Board decides to utilise the shareholder authorities to carry out share buy backs, that intention will be announced to the market.

Notice of results

The Company expects to report its Preliminary Results for the year ended 31 March 2017 on Wednesday 7 June 2017.

For further information:

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