Grafenia plc

Pre-close statement and Trading Update

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Grafenia plc
06 April 2022

Prior to publication, the information contained within this announcement was deemed by the Company to constitute inside information as stipulated under the UK Market Abuse Regulation. With the publication of this announcement, this information is now considered to be in the public domain.

6 April 2022

Grafenia plc
("Grafenia" or "the Company" or the "Group")

Pre-close statement and Trading Update

Since our last update on 22 November 2021, sales have continued to improve. Each month has traded better than the previous year, as each round of restrictions has been lifted.

In December and January, there was uncertainty about whether restrictions would be reintroduced. Some exhibitions and events were postponed, affecting business confidence. March saw a significant bounce back. Many of those events have returned or been rescheduled for the summer. Total sales in March were the highest recorded since November 2019, before the pandemic.

We expect to end the full year with sales in excess of **£12.0m***(2021: £9.65m)*. Whilst this isn't back to pre-pandemic levels, our cost base is significantly different and our breakeven point is much lower. We generated positive EBITDA in 8 of 12 months this year. After negative EBITDA in 2021, we expect full year 2022 EBITDA to be positive and to have a smaller loss before tax than the previous year. Cash at 31 March 2022 was **£1.5m***(2021: £2.7m).*

However, like most businesses, we have faced cost rises across the board. Paper has increased by 30-50%, due to distribution costs, shortages and energy. We have increased our prices three times in 2022 to reflect this. Fuel and energy prices remain at high levels and are not helped by global events. This situation impacts everyone. We continue to track competitor pricing and nobody is immune to these pressures.

Our partner network has remained stable in what have been turbulent times. It's always sad to lose partners, but compared to the sector at large, our network has proved resilient. We have continued to add new Nettl partners in the UK and US. At the year end, we had 220 Nettl partners *(2021: 232)* around the world. Partners often tell us that being part of our network has helped navigate these difficult times. The board would like to thank our partners and acknowledge their stamina and efforts.

Each of our business units performed better than last year. In particular, our company stores continue to progress. We expect sales to be up by 40% at approximately **£2.56m***(2021: £1.83m)*. In the second half of 2020, we rolled three businesses into our Birmingham and Dublin company stores. If we exclude them this year, we expect like-for-like sales to be up 20%.

The pandemic caused many businesses to reflect on what the future should look like. For us, we used the time to invest in our platform. We have been working on a digital transformation programme to improve the sign and install industry.

We successfully launched our "WorksThing" app at the Sign & Digital exhibition in March. Optimised for the signage sector, WorksThing.com is a complete workflow tool for managing signage installations, from start to finish. It's Software-as-a-Service, like Nettl. Sign businesses pay a monthly subscription, from £49 per user per month. Their installers can connect their calendars to provide online booking, like reserving a table at a restaurant. Each install is mapped on a live timeline, so everyone can keep track of progress. A modern chat messaging system connects clients with studios, production and install crews.

It's early days, but multiple businesses have signed up for a free trial and we're pleased with the reaction at the event. We expect that some WorksThing clients will become Nettl partners, as they seek to get more from every client relationship with the Nettl toolkit.

Outlook
We're cautiously optimistic about the upcoming year. We remain focussed on achieving our mid-term goal of 10-15% EBITDA. Our search for software businesses continues. We hope to update the market with more detailed progress shortly.

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