

Grafenia plc

Period End Trading Update and Notice of Results

RNS Number : 5083M

Grafenia plc

14 October 2016

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("Grafenia" or the "Company")

Period End Trading Update and Notice of Results

Grafenia is pleased to provide the following update ahead of the announcement of its Interim Results for the six months ended 30th September 2016. In our AGM update on 5th August 2016, we stated that trading in July had been below last year's level. August continued to be difficult and again was below the same period last year. However, sales in September improved significantly, although not to budgeted levels. Whilst October has started encouragingly, we remain cautious.

Competition in the trade print sector remains fierce. We have completed a significant project to realign pricing of our core product range and position it competitively in the marketplace.

This realignment of pricing represents a significant investment, which the Board believe is necessary to underpin future growth of our Branded Networks. Our proposition has shifted from multiple, heavily discounted offers, to simpler everyday low pricing across the range. Our emphasis is on driving volume to our most popular products and maximising production efficiency to offset margin erosion.

The price reductions benefit our clients, Company owned Studios and our Brand Partners. In the first half, the volume of orders we produced in the UK and Ireland increased by 14%, compared to the same period last year. This demonstrates that, equipped with a more competitively priced product range, our Partners are winning more orders.

Consequently our refreshed printing.com subscription model has continued to attract new Partners. We have added 20 new printing.com Partners in the first half and have a strong pipeline of potential new locations.

Nettl, our neighbourhood web studio formula for graphic professionals has gained further traction and we now have 80 Partners open or trading. We expect to grow the network further, partly from the upgrade of existing printing.com

Partners, but increasingly from our Marqetspace client base.

On 3rd October 2016, we relocated our existing Company-owned Nettl Studio in Birmingham to a new site. This is a new pilot "Business Store" format, which combines the sale of ecommerce, websites, print and displays, together with meeting space for local businesses. Our vision is to build a 'department store' for SMEs, where they can touch promotional products and talk to us about growing their businesses. Many product line extensions are plausible and we will experiment and test this format.

During September, Marqetspace, our online trade channel for graphic professionals, set new records for the number of orders processed, average order value and the volume of ink-on-fabric product sold. Marqetspace continues to be an important source of new Brand Partners for us.

The Board has continued to evaluate different options to progress the acquisition strategy. While the Board remains opportunistic, it is prioritising acquisitions of relatively small businesses that would be complementary to Grafenia's core operations. The Company is currently in early stage talks with several potential opportunities and will update the market as appropriate.

Whilst trading immediately following the EU referendum was difficult, the improvement since the summer and the encouraging increase in the number of Nettl and printing.com Brand Partners, means that, provided trading continues to improve, market expectations remain achievable.

The Interim Results for the six month period ended 30 September 2016 are expected to be announced on Tuesday 8 November 2016.

For further information:

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The company news service from the London Stock Exchange

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