

Grafenia plc

Trading update

RNS Number : 3773X

Grafenia plc

21 February 2017

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

Trading Update

In our update to the market on 8th November 2016, we highlighted the inconsistent nature of transactional print volumes and this has continued. November and early December performed in line with our internal budgets. However, print volumes in January and early February were materially behind the same period last year, albeit recovering to expected levels last week.

Although overall, our print volumes are higher than the same period last year but the effect of our earlier price realignment in a fiercely competitive market means we are paid less for each print order. As the trade print price war continues, we need to remain competitive and do not expect margins from the sale of printing to improve.

However, we are continuing to execute our transformation plan to transition our business into growth areas with more predictable subscription-based revenues and to other complementary product lines, such as website sales, ink-on-fabric displays and signage services.

Our network of neighbourhood Nettl web studios has continued to grow. We recently passed an important milestone, reaching 100 Nettl studios in the UK and Ireland.

Nettl partners lead with the sale of websites, ecommerce web shops and online booking apps. With clients increasingly prioritising their marketing spend on digital, web and ecommerce, we think it's important that designers are able to handle these - often complex - web projects, so that they can retain the client and importantly keep print work they might otherwise lose. Nettl makes it easy and cost effective for our partners to do that. Partners pay a monthly subscription of £399 for use of our systems, marketing and know-how. We train them to win higher value web work, using their team's existing skill set. They buy printing and display at trade prices, pay us a fee for each website deployed and small ongoing monthly hosting fees. We have helped many graphics businesses make the transition into web and we expect to assist more.

Now that we have gained traction with the Nettl model, we have increased investment to scale it more rapidly. We have trained additional account managers to pitch, sell, launch and support new Nettl partners. We have recruited and trained new Nettl Geeks to provide technical support. And we have founded the Nettl Academy, to supply Nettl studios with skilled design graduates trained in all things Nettl. We have increased our promotional marketing activity and frequency of events to attract partners faster. Our aim remains to significantly scale the Nettl network and be known as the local go-to place for marketing to the SME community.

Early results from our pilot Nettl of Birmingham Business Store are encouraging. We've received rental bookings for "The Great Room" meeting space and walk-in trade is increasing week-on-week. One aim is to cover the Business Store rent through sale of coffee and snacks and that looks to be achievable. Perhaps most interestingly, some customers who have come in for coffee have now purchased websites, printing or displays from us. We continue to explore other complementary services to drive footfall.

We're launching one such new service, "Nettl Now", to meet client demand. In common with other industries, people are becoming accustomed to 'instant gratification'. Nettl Now is for last-minute printing, produced and delivered the same day, to address this demand. Clients will be able to order a range of print and display, manufactured and delivered in 4 hours. We will use our existing equipment and dispersed network of local production partners to fulfil the orders.

On 16 January we announced the small acquisition of a Liverpool-based sign business, ADD Signs. Integration of ADD is progressing well and we have started to productise a sign range to sell via our Nettl and printing.com partners. We continue our search for further sign companies to acquire, roll together, unlock cost savings and rebrand as Nettl Business Stores.

Since we simplified the printing.com model, we have continued attracting more partners. Studios pay £299 per month for use of our marketing and systems. Over 30 new partners have joined in the last 12 months and some have already upgraded to become Nettl studios. We expect to add more partners this year.

Marqetspace.com, our online trade print division, continues to be an important source of future partners. Once a Marqetspace client has trusted us with their printing, our account managers can talk to them about the challenges they have in their business. Many of these are common problems and we can propose suitable software to help, or invite them to become Nettl or printing.com brand partners. Marqetspace has now traded with over 2,500 graphic professionals and we continue to add clients through scalable marketing activity.

Although we are making progress with our transformation plan, a material part of our revenues continue to come from transactional print volumes. Soft demand in January and early February will impact our full year earnings and it is likely we will be significantly behind market expectations. We remain cautious on the outlook.

We intend to update the market with a pre-close statement on Monday 10th April 2017.

For further information:

Grafenia plc	
Peter Gunning (CEO)	07973 191 632
Alan Roberts (Finance Director)	0161 848 5713
N+1 Singer (Nominated Adviser)	
Richard Lindley / James White	0207 496 3000

This information is provided by RNS
The company news service from the London Stock Exchange

END

TSTDGGDDXXDBGRG