

Connect Group

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Connect Group shares almost halve after what looks to be this year's first World Cup-related profit warning

Connect Group PLC (LON:CNCT) almost halved in value on Wednesday after the distribution and logistics group issued what looks to be this year's first World Cup-related profit warning.

In late afternoon trading, Connect shares were down almost 44% at 29.15p, taking year-to-date falls to almost 75%.

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In a trading update, the FTSE SmallCap firm "materially reduced" its full-year profit forecasts due to disappointing sales of World Cup-related products in its Smith News division, as well as a "material fall" in volumes and higher costs in its parcels delivery business, Tuffnells.

Connect - formerly known as Smiths News - added that as a result of the "extremely disappointing" second half performance so far, the full-year dividend will "at a minimum be substantially reduced".

For the year ended August 2017, Connect reported pre-tax profit of £34.2m on revenue of £1.59bn.

Connect also said its chief executive officer Mark Cashmore will resign from the company after an "orderly transition" with his replacement, and its chief financial officer David Bauernfeind has left the firm immediately.

Bauernfeind will be replaced by Tony Grace, the former finance head of delivery firm Yodel.

Berenberg cuts to hold

The dire news saw German bank Berenberg downgrade its rating for Connect to 'hold' from 'buy' after chopping its target price back to 40p from 140p.

The bank also cut its 2018-20 earnings per share estimates on the group by around 30% and said it now assumes an 80% cut to the dividend going forward, resulting in a full-year dividend of 4.4p in FY18 and 2p in FY 2019/20.

In a note to clients, Berenberg's analysts said: "With the failure of the company to turnaround repeated poor performance in Tuffnells, as well as the departures of both the CEO and CFO, we believe the outlook and investment case for Connect to be unclear at present."

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Price: 28.65

Market Cap: £70.97 m

1 Year Share Price Graph



December 2018 June 2019 December 20

Share Information

Code: CNCT

Listing: LSE

52 week	High	Low
	46.1	27.5

Sector: Media

Website: www.connectgroupplc.com

Company Synopsis:

Connect Group is a specialist distribution company, which offers market-leading expertise in a range of industries. We use our skills and knowledge to deliver unmatched service to suppliers and customers in the UK and throughout the world. As a result, we are a leading partner in each of our supply chains.

action@proactiveinvestors.com

Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

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