

HAYNES PUBLISHING GROUP P.L.C. (“the Haynes Group”)

Interim Management Statement (IMS)

The Haynes Group presents its first quarter IMS covering the 13 weeks to 31 August 2014 and to the date of publication of this Statement (“the period”) in accordance with DTR 4.3.4.

Business highlights

In September 2014, at the Automechanika trade fair in Germany, HaynesPro launched its most recent product enhancement that utilises Bluetooth technology to connect diagnostic equipment to its VESA™ solution¹. This European patent pending software offers time efficiencies to mechanics by displaying information on a single screen and removes the need for manual data input. In addition, at the same event, HaynesPro secured an important new contract in the Scandinavian market which management expect to come on line during the second half of the financial year.

During the period, the Group has commissioned market research into the behavioural habits and buying patterns of today’s car drivers and DIYers. The research will initially focus on the consumer DIY market in the UK before broadening to cover the Group’s other main consumer markets in North America and Australia. The feedback from the research will help management shape the Group’s forward strategy for its consumer product ranges and delivery platforms. The Group has also commissioned a consultancy in the US to evaluate opportunities for a professional product designed for mechanics in the North American market. The initial feedback from both these research projects is expected in early 2015.

First quarter trading

As mentioned recently when we reported our 2014 Annual Results, HaynesPro revenues have continued to grow, while trading in the Group’s consumer products in the early months of 2014/15 has been soft. Key consumer retailers in all our main geographical markets have re-implemented working capital management programmes leading to tighter inventory controls. Group management are encouraged that where information is available, ‘out-of-store’ retail sales are tracking ahead of replenishment orders and therefore believe this to be a realignment of current inventory levels rather than a trend which could have a material longer-term impact on the business. As a result of these tighter inventory controls, overall Group revenue ended the first quarter 18% down against the prior period. Like-for-like Group revenue, excluding sales from the Clymer and Intertec manuals, the discontinued non-automotive titles in the UK and after adjusting for the movement in exchange rates was marginally lower, down 19% against the prior year.

For the reasons outlined above, revenue from the Group’s North American & Australian operations, in local currency, ended the first quarter 9% down on last year but with an average exchange rate of \$1.69 against \$1.53 last year, after translation to Sterling, revenue was down 18%.

In the UK & Europe revenue was down 19% as inventory tightening by key automotive customers left UK revenue 35% down against the prior period. In contrast, strong trading from the Group’s professional ranges in Europe continued during the period, ending the first quarter, in local currency, 11% up against the prior period. However, with an average exchange rate of €1.26 against €1.16 last year, after translation to Sterling, European revenue ended the period up only 2%.

Despite the lower UK sales, management are encouraged that like-for-like sales of non-automotive titles in publication for more than 12 months were 2% up on last year, supporting the action taken by management to re-focus the non-automotive titles onto the higher margin ‘Haynes’ style manuals.

During the first quarter the Group’s cash balances increased by £0.2m to £1.3m and, with the events highlighted above, these represent the main changes to the Group’s financial position since the Group reported its results for the financial year ended 31 May 2014.

Notes to the IMS

¹ VESA™ is a unique electronics diagnostic tool which guides mechanics to a rapid and precise identification of system and component errors. Most specialist tools can retrieve vehicle data quickly and accurately however, the user is subsequently presented with one or more fault codes which often do not provide a clear identification of the electronic fault. The HaynesPro VESA™ system interrogates the fault and defines the most logical diagnostic path.

Cautionary Statement :

This report contains certain forward-looking statements with regards the financial condition and results of the operations of Haynes Publishing Group P.L.C. These statements and forecasts involve risk factors which are associated with, but are not exclusive to, the economic and business circumstances occurring from time to time in the countries and sectors in which the Group operates. These forward-looking statements are made only as at the date of this announcement. Nothing in this announcement should be construed as a profit forecast. Except as required by law, Haynes Publishing Group P.L.C. has no obligation to update the forward-looking statements or to correct any inaccuracies therein.

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Business Description

The Haynes Group, which has headquarters in the UK, comprises two geographical business segments as follows :

- UK & Europe
- North America & Australia.

The UK & European business has headquarters in Somerset, England and subsidiaries in the Netherlands, Italy, Spain, Romania and Sweden. The core business of the European operations is the digital supply of automotive repair and technical information to professional mechanics in twenty three different languages, as well as to DIY consumers in both printed manual and digital formats. The business also publishes a wide range of manuals which are practical, instructional, easy to read and aimed at those with an interest in more general DIY related activities.

The North American & Australian business has headquarters near Los Angeles, California and publishes DIY repair manuals for cars and motorcycles in both a printed and digital format. The business publishes titles under the Haynes, Chilton and Clymer brands and in both the English and Spanish languages. Clymer manuals also cover marine (inboard and outboard) personal watercraft and snowmobiles, while the Intertec brand publishes manuals for agricultural equipment. It has a branch operation in Sydney, Australia which publishes similar products under both the Haynes and Gregory brands. The Australian business also publishes information for the professional automotive market. Through its print facility in Nashville, Tennessee, the North American business is the central print facility for the Group's printed products.