SpaceandPeople PLC - SAL Pre-Close Trading Update
Released 07:00 09-Jan-2017

RNS Number : 6022T
SpaceandPeople PLC
09 January 2017

SpaceandPeople plc

("SpaceandPeople" or the "Group")

Pre-Close Trading Update

SpaceandPeople, (AIM:SAL) the retail, promotional and brand experience specialist, today issues a pre-close trading update ahead of its preliminary results for the year ended 31 December 2016, which will be released on 27 March 2017.

Trading during the key month of December was poorer than expected. Revenues for the year from the promotional divisions and the German retail division were in line with management expectations, however, Retail Merchandising Unit ("RMU") sales were significantly lower than had been anticipated with demand over the normally lucrative Christmas period being particularly weak. Revenue from the Mobile Promotion Kiosk ("MPK") business was lower than had been budgeted as the roll out of units to new venues was delayed from the fourth quarter of 2016 into 2017 due to site availability, although this still represented a 138% increase on the previous year at £1.6 million (2015: £656k). Overall, revenue for the year was £700k lower than expected at £10.2 million and the impact of this on the profitability of the Group is a reduction of approximately £425k from market expectations.

Additionally, the Group has decided to make provisions for the restructuring of both the UK and German retail divisions with £90k of restructuring costs and £150k of provision for potential bad debts as we enter the final year of our contract with ECE.

Therefore, the Group expects the results for 2016 to be close to break even before non-recurring costs and discontinued operations and a loss of circa £650k after recognising all costs.

Non-recurring costs and discontinued operations:

Closure of S&P+ Ltd	£400k
MPK France pilot	£125k
Restructuring costs	£175k
Total	£700k

The net cash position at the year-end was £250k (2015: £723k).

New Venues

Whilst the market landscape is challenging, the Group has been awarded several new venue gains in December, including the:

- Bromley Shopping Centre (formerly Intu Bromley) following it being acquired by one of our clients;
- Land Securities Leisure portfolio of 15 venues;
- Kirkgate Shopping Centre in Bradford;
- addition of London Bridge, Euston and Paddington to our portfolio of Network Rail stations following the completion of their renovations and reconfiguration of space allowing commercialisation activities to take place; and
- renewal of our promotional contract with MEC in Germany until December 2017.

There are a number of further potential gains in the pipeline and the ability to grow the UK business further is strong.

Outlook for 2017

The Board is confident that the addition of these new venues will deliver increased revenue to the UK divisions in 2017, however, forecasts for 2017 have also taken account of the fact there are a few venues whose contracts are due to be renewed during 2017 and provision has been made to account for the possibility that these may not all be renewed.

Over recent years there has been a decline in the scale of the RMU businesses in both the UK and Germany. We are taking action to replace lost business, especially in the UK and we have also reduced the cost base of these divisions to mitigate the effect on profitability. We are not budgeting for any recovery in the UK retail business in 2017 and our expectation is that revenue in the German retail division will decline in what is the final year of the existing contract with ECE as we are phasing out unprofitable units.

During 2016 the Group undertook a major cost reduction programme. Although this incurred costs in 2016 it has materially reduced the running costs of the business going forward.

Costs:

Reduction in payroll due to streamlined management and headcount reductions to reflect the reduced size of the retail divisions	£650k
Overhead reductions due to savings in IT, travel and logistics	£100k
Non-recurring costs of S&P+ closure, French MPK pilot and restructuring	£700k
Total	£1,450k

The effect of the new contract wins, whilst taking account of potential contract losses and declining German retail revenues as well as the benefits arising from the closure of S&P+ and the restructuring programming undertaken provides the Board with sufficient confidence that the Group will not only return to profitability in 2017 but will also meet existing broker expectations for 2017.

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

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