19 June, 2014

Publishing Technology plc
("Publishing Technology", "the Group" or "the Company")

Trading Statement

Publishing Technology plc (AIM: PTO.L), the leading provider of world-class software and services to the global publishing industry, announces that it expects its results for the year ending 31 December 2014 to be below market expectations and broadly in line with the full year results for 2013 . In particular, the first half results for the 6 months ending 30 June 2014 are likely to show a loss due to recent actions taken by the Company to rectify implementation problems on some current contracts, resulting in additional product development expense and deferral of revenue which was expected to be recognised in the period.

When in March 2014, the Company appointed Michael Cairns as its CEO with effect from 1 April 2014, the Board charged him with conducting a strategic review to identify areas where the Group could improve its performance and ensure that as a business it is easily scalable and optimised for rapid growth.

Michael's review is due to be concluded shortly and the full findings are expected to be announced at the same time as the Company's interim results for the six months ending 30 June 2014. In the short term, Michael has reported his interim conclusions to the Board and he has taken some immediate actions that he, with the full backing of the Board, believed were necessary to improve the Company's business performance.

Overall, Michael's initial conclusions endorse the Board's view that the Group is now poised to capitalise on the significant research and development investment of well over £10m which has been made in recent years, which has embedded considerable value in its products and services. The Company's future revenue is underpinned by some substantial new contract wins, including £4m of new business in the last few months, and it is benefiting from supportive sector trends, as publishers increasingly seek partners to help them commercialise their content digitally. As a result the Board believes the outlook for the business remains positive.

However, in particular, Michael has identified that certain design problems in the engineering of some of the Group's software are leading to inefficient implementations and performance issues which need to be rectified and that the Company's implementation resources are not scalable enough to meet growing demand from contracted and pipeline business.

He has therefore, with the Board's endorsement, added additional resource to enhance and reorganise the implementation group, and committed additional research and development to improve the efficiency of both advance and pub2web products while also delaying the delivery of software to clients to ensure those deliveries meet acceptable quality standards.

These decisions will improve the longer-term outlook for the business at the expense of the current year, with a particular negative impact on first half results, with the deferral of some £0.6m of revenue and the addition of around £0.4m of costs. The first half results are therefore likely to be worse than the corresponding period in 2013. However, the Board is confident that a proportion of this delayed revenue will be recaptured later in the year and, together with the substantial pipeline of contracted new client work for advance and pub2web, the Board expects the performance for the year as a whole to be broadly in line with the final results for 2013.

While the Group is recognised for its core excellence of developing world-class software and services, Michael, together with the Board, has also been assessing another key strategic issue as part of the review: how to ensure that the Group can implement an increasing number of large projects reliably and profitably to ensure growth in revenue and profits in the coming years.

The solution being considered is to focus the Group's internal resources on engineering and design expertise, while working with a range of internationally recognised implementation partners to provide the skills needed to implement instances of its products for the large, global customers it is increasingly attracting. Such partnerships will not only widen the Group's market and geographic reach and bolster its sales and marketing efforts, but should also enhance the quality of the Group's earnings and its overall business profile.

Initial discussions are under way with a major professional services company to create such a partnership and further details will be announced as appropriate.

More broadly, in terms of a trading update, as well as winning substantial new business, the Group has signed contract extensions with a number of key existing clients, including Elsevier and BioOne; the Group's China joint venture is trading ahead of management's expectations; Vista continues to trade well; Ingentaconnect is delivering good profitability; and PCG is on track for the year and has successfully recruited a new divisional head to drive the business forward with an emphasis on building full-service representation.

With a global blue-chip list of 400 publishing and academic customers and 65% revenue recurring, the Board is confident that the Group remains well-positioned to take advantage of favourable sector trends and has a strong platform in place for future growth.

Martyn Rose, Chairman of Publishing Technology, commented:

"We believe that the decisions taken since Michael's appointment as CEO will give the business a firmer foundation for further expansion and improve its scalability and performance. Committing additional investment to our key advance and pub2web products, to enhance their effectiveness, while addressing the strategic issue of improving our implementation, by seeking to work with world-class implementation partners, are absolutely the right moves to make. Other areas of the business, such as the China joint venture, are trading ahead of management's expectations and each of Vista, Ingentaconnect and PCG is performing well. With this strong operational performance, a CEO who has an outstanding track record in digital publishing and the full backing of the Board to strengthen the business, we believe that the Group is poised to deliver further value for shareholders."

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