

31 March 2017

Final Results for the Year Ended 31 December 2016

The Quarto Group, Inc. (LSE: QRT), the leading global illustrated book publisher and distribution group, announces its unaudited results for the year ended 31 December 2016.

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Presentation

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Results (\$m)	2016	2015 Restated ³	
Revenue	188.4	182.2	+3%
Publishing Revenue	154.6	145.3	+6%
Adjusted Publishing Operating Profit*	21.7	18.5	+17%
Adjusted ¹ Operating Profit* (excluding BGD)	18.6	15.6	+19%
Operating Profit*	1.7	15.3	
Exceptional impairment charge relating to BGD	(14.2)	-	
(Loss)/Profit After Tax*	(5.3)	8.5	
Adjusted ¹ Earnings Per Share (excluding BGD)	54.7c	46.0c	+19%
Basic (Loss)/Earnings Per Share	(28.5)c	41.3c	
Net Debt	61.9	59.5	+4%

Total dividend for the year	15.0c	14.5c	+3%
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* Includes the contribution from acquired businesses in 2015 and 2016 and a reduced amortisation charge in 2016 arising from the review of useful lives of our titles, providing consistency across all imprints in the portfolio.

(See notes 1 and 11 to the accompanying condensed financial statements.)

Financial Highlights

- Resilient performance in publishing business; revenue up 6%, operating profit up 17%;
- Exceptional impairment charge of \$14.2m against Books & Gifts Direct (BGD) attributable to previously announced exit from the business;
- Net debt at \$61.9m (2015: \$59.5m) resulting from both poor trading within BGD and negative working capital timing movements in the final quarter;
- Dividend up 3% with an adjusted cover (excluding BGD) of 3.6x (2015: 3.2x)^{2,3}.

Operational Highlights

- Children's publishing revenues up 34% with both organic and acquisitive growth;
- Foreign Rights revenues up 8% despite foreign currency headwinds in certain markets;
- Positive contribution from acquired businesses in 2016, Harvard Common Press and becker&mayer;
- Extended value of backlist confirmed by review of useful economic lives of titles;
- Group re-focused on core publishing portfolio during the course of 2017 with new organisational and financial reporting structure.
- Resignation of Group CFO and Executive Director Michael Connole.

1. Adjusted measures are stated before amortisation of acquired intangible assets and other exceptional items (note 3).
2. Dividend per share is declared in cents per share and paid in sterling translated at the spot rate on the record date. Dividend cover is calculated using adjusted earnings per share.
3. Restated for an error in our Books & Gifts Direct business with respect to the valuation of Stock in Transit at 31 December 2015 and prior periods. Full details are set out in Note 1 to the accompanying condensed financial statements.

Commenting on the results, Chief Executive, Marcus Leaver said:

"We celebrated our fortieth anniversary with our largest publishing profits ever. We exploited the size, scale and reach we have built in the last five years and enhanced our business with two strategic acquisitions that are already contributing positively to the Group.

Books & Gifts Direct has disappointed for a number of years, including 2016. The disposal of our non-publishing businesses, almost complete, will allow us to focus entirely on our publishing portfolio.

Whilst we expect the market background to remain difficult in 2017, we will be helped by our increased focus and expect to show further progress in the business and in reducing our debt. Quarto has a unique opportunity in a fragmented industry to become the dominant publisher of illustrated books worldwide.”

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About The Quarto Group

The Quarto Group (LSE: QRT) is the leading global illustrated book publisher and distribution group and is listed on the London Stock Exchange. Quarto employs about 400 talented and creative people in five distinct but complementary businesses - Quarto International Co-editions Group; Quarto Publishing Group USA; Quarto Publishing Group UK, Quarto Hong Kong and Books & Gifts Direct, Australia & NZ.

The Group is well positioned in resilient segments of book publishing with rich reserves of Intellectual Property. Quarto is uniquely positioned for growth as the **industry** adapts to new means of marketing, sales and routes to market. The Group's headquarters are in London where the Company was founded in 1976.