Publishing Technology plc interim results

Improved profitability and prospects

Publishing Technology plc (LSE: PTO), ("Publishing Technology" or the "Company") the AIM quoted leading provider of online systems, management software and consulting services to trade and academic, journal and book publishers, today announces its unaudited interim results for the six months to 30 June, 2009.

Growth

- Revenues up 5% to £7.676m (2008:£7.314m)
- Gross Margin up 4% to £3.017m (2008: £2.913m)
- EBITDA up 12% to £0.363m (2008: £0.324m)
- Positive net cash flow from operations of £0.357m excluding exchange rate movements (2008: £1.580m outflow)
- Recurring revenues remain above 65% of total revenue

New customers

- McGraw Hill implemented Advance Rights & Royalties
- Increased sales of Pub2web. Current customers include OECD, IMF, World Bank, and Institute of Civil Engineers (Thomas Telford)
- Significantly improved pipeline for major products as well as services in new geographic markets

New markets

- Concluded a deal with the largest provider of publishing systems in Germany to re-sell IngentaConnect and Pub2web
- Created a presence in Brazil in the first half of 2009 and now represent 7 significant publishers in that region, including Elsevier and Nature
- Investigating similar opportunities in Japan and Australia for IngentaConnect and Pub2web

Positive outlook

- Business units performing in line with market expectations
- Continuing reduction in debt
- Significantly improved pipeline from new product launches

George Lossius, Chief Executive, commented:

"Despite the background of general turmoil in the economy, this year's interim results reflect continued strong progress across the Group. All units performed well in the first half which is traditionally the weaker half of the year, and I am very pleased to be able to report improved Group profitability.

The momentum behind our product and market developments is gaining pace, underlined by adding McGraw Hill to our customer list, our expansion into Germany, winning our first German customer and early successes in Brazil, where we gained new customers in the first half which should translate into healthy second half sales.

Whilst the macro economic situation slowed our progress in the first half of 2009, the stabilising of the world economy is already evident in our market as companies increase the release of capital expenditure funds."

Martyn Rose, Chairman, commented:
"Despite the continuing difficult economic conditions, Publishing Technology has improved its performance and profitability through expansion into new markets, winning new customers and launching new products which assist publishers in controlling costs, maximising their existing income and creating new revenue streams. The Company now has a distinctive market position with a positive outlook even if the economic recovery takes longer than forecast."

Notes to Editors:
The Publishing Technology Group enables publishers to focus on their core competences by outsourcing technology requirements to a single, trusted partner. As a major provider of software and services for the publishing industry, servicing eight out of ten of the world's largest publishers, the Group's proposition uniquely spans online and print solutions, providing the industry's only end-to-end suite of software specifically designed to support the entire publishing process.

Capabilities cover editorial & production, product information, distribution & fulfilment, content conversion & hosting, website development, sales representation, marketing programmes, information commerce, customer care, rights & royalties and business intelligence. Clients include leading book and journal publishers, such as Hachette, Random House, Penguin and Reed Elsevier and top corporate and academic research library clients, such as Columbia University Library, and Glaxo SmithKline's research library, and a number of not for profit institutions, such as the World Bank, the IMF, OECD and UNICEF.

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Chief Executive's statement

We are delighted that despite the poor economic environment, the Company has continued to progress and has increased revenues to £7.7m and EBITDA profitability to £0.4m in the first half of 2009, which is in line with the Board's expectations. Increases in cost of sales and expenses totalling £0.3m, reflect an investment necessary to support the higher levels of business expected in the second half of 2009.

The change in the Sterling / US Dollar exchange rate has lead to a Forex loss. However, because of the Company's cost base in the USA, the impact of this on day to day activities is less acute.

It is also proving exciting to witness that the investments made in new product development and geographic expansion are showing real promise, both for the remainder of this year and the future.

Increasing revenues, profitability and pipeline during a period of high turbulence has been a real achievement and a testament to the work of our staff and the value they and our products provide for publishers.

Economic turbulence combined with the publishing industry's continued shift to the digital era makes this an exciting time for the Company. We are very confident that the foresight that the business demonstrated and the investment that it made in developing new products and service offerings will prove to be of great benefit to Publishing Technology and its shareholders.

Business gains

In the first half of the year, our customers and prospects alike were, like most, careful not to over extend themselves until there was evidence that the economy had stabilised. Despite this, we continued to make business gains, most significantly welcoming McGraw Hill as a customer of our Publishing Technology Operations division.

Amongst our other significant achievements during the period, it has been especially encouraging to see the speed at which we have gained adoption for our PCG services in the vibrant Brazilian market. This has proven the viability of our strategy to use PCG to create a foothold in new markets, providing us with a springboard to expand the products and services we can offer as our presence increases. The gains made early in the year will bear fruit through 2009 and beyond, and we are looking forward to a prudent expansion of our operations in South America during the coming year.

Outlook

Second half revenues and profits will benefit from a natural cyclical increase in sales in certain areas of the business. Equally, the momentum behind our product and market developments are gaining pace, underlined by a number of recent new customer wins, our expansion into Germany and early year successes in Brazil gaining new customers which should translate into healthy second half sales.

The Company is looking forward to greater stability in the economy, but is well placed to advance even if this is slower than hoped.

G M Lossius
Chief Executive Officer

Financial review

Income and profitability

Revenue increased by £0.362m (5%) to £7.676m against the same period last year on stronger sales of new product streams within both Publishing Technology operations and Scholarly online. The PCG division also performed well with the addition of revenues from the BioOne contract.

Cost of sales increased year on year by £0.258m (6%) as the business geared up to deliver the BioOne contract and continued to invest in the re-engineering of the Advance suite of products.

Gross margin therefore improved by £0.104m (4%) over the same period in 2008. Gross margin percentage is comparatively unchanged at 39%.

Sales, marketing and administrative expenses excluding foreign exchange and restructuring costs increased by £25K (1%) against the same period last year despite increased costs in the US as a result of the exchange rate movement. The intangible assets created at the time of the merger in 2007 were fully written off by the end of 2008 and, therefore have no impact on the first half of 2009.

EBITDA (profit before finance costs, tax, depreciation, restructuring, amortisation, impairment and foreign exchange gains and losses) improved to £0.363m (12%) compared to the same period last year. The Company's business cycle is such that 35% of full year 2008 EBITDA profitability was earned in the first half of 2008. The Board believes that this cycle will be similar in 2009. The Board does not propose the payment of an interim dividend (2008: nil).

Rental income from the sub-lease on the Company's office in Bath ceased in 2008. All costs of this office until the end of the lease in 2010 have been fully provided for in the prior year and will have no impact on the figures for 2009.

Finance costs are lower in the first half than the comparable period in 2008 and will continue to reduce as net debt decreases.

The Group benefited from an R&D tax credit in the UK of £64K in the six months to 30 June 2009. The £54K taxation income in the statement of comprehensive income represents £64K tax credit and £10K of sundry federal and state taxes paid and payable in the US.

Financial position

Compared to 30 June 2008, overall net assets have declined as a result of writing off £1.5m of intangible assets created at the time of the merger.

Net borrowing (cash and cash equivalents and overdraft) has reduced by £1.1m from 30 June 2008 as a result of positive cash flow from operations.

Trade receivables are relatively unchanged against the same period in 2008 while trade payables have increased by £0.548m predominantly due to an increase in deferred income (revenue invoiced but not yet recognised). The majority of deferred income will flow into revenue over the remainder of 2009.

Provisions relate to the lease on the Bath office which was fully provided for in 2008 as noted above.

Equity

On 24 July 2008, the ordinary shares of 0.1p each in the capital of the Company were consolidated into new ordinary shares of 10p each on the basis of one new share for every 100 existing shares.

On 29 October 2008, the Company reduced its capital a process which offsets the value of deferred shares and the share premium account against negative reserves. As a result, both classes of deferred shares and the share premium account were cancelled eliminating the deficit on reserves within Publishing Technology plc.

The Board believes that both of these actions simplified the statement of financial position making the Group's accounts easier to understand and eliminated the negative reserves which were a barrier to the Company's ability to pay dividends. A full explanation of these changes is available in the annual accounts for the year ended 31 December 2008.

Cash Flow

Excluding unrealised foreign exchange differences, the Group had a positive cash flow of £0.357m in the first half, an improvement of £1.9m over the first half in 2008.

A B Moug
Chief Financial Officer

Condensed Consolidated Interim Statement of Comprehensive Income

	Note	Unaudited Six months ended 30 June 2009 £'000	Unaudited Six months ended 30 June 2008 £'000
Revenue		7,676	7,314
Cost of sales		(4,659)	(4,401)
Gross profit		3,017	2,913
Sales and marketing expenses		(900)	(894)
Administrative expenses		(2,112)	(1,869)
Amortisation of intangibles		-	(379)
Other income – rental income		-	58
Profit / (loss) from operations		5	(171)

Analysis of profit / (loss) from operations		
Profit before net finance costs, tax, depreciation, amortisation, impairment and foreign exchange gains and losses (EBITDA)	363	324
Depreciation	(110)	(86)
Amortisation of intangibles	-	(379)
Foreign exchange loss	(206)	(20)
Restructuring costs	(42)	(10)
Profit /(loss) from operations	5	(171)

	Note	2009 £'000	2008 £'000
Finance costs		(104)	(128)
Loss before tax		(99)	(299)
Tax		54	(1)
Retained loss for the period		(45)	(300)
Other comprehensive income / (expense):			
Exchange differences on translating foreign operations		835	(2)
Total comprehensive income / (expense) for the period		790	(302)
Loss attributable to owners of the parent		(45)	(300)
Total comprehensive income / (expense) attributable to owners of the parent		790	(302)
Basic and diluted loss per share – pence	3	(0.53)p	(4.43)p

Condensed Consolidated Interim Statement of Financial Position

	Note	Unaudited 30 June 2009 £'000	Unaudited 30 June 2008 £'000
Non current assets			
Goodwill and Intangible assets		3,737	4,853
Property, plant & equipment		330	249
Available for sale investments		-	101
		4,067	5,203
Current assets			
Trade & other receivables	4	2,698	2,775
R&D tax credit receivable		-	135
Cash and cash equivalents	6	349	901
		3,047	3,811
Total assets		7,114	9,014
Equity			
Share capital		841	11,856
Share premium		-	21,816
Merger reserve		11,055	11,055
Reverse Acquisition reserve		(5,228)	(38,048)
Other reserves		(146)	(150)
Retained earnings		(9,108)	(8,003)
		(2,586)	(1,474)
Non current liabilities			
Borrowings	5	500	500
Current liabilities			
Trade and other payables	7	6,231	5,683
Borrowings	5	2,669	4,305
Provisions		300	-
		9,200	9,988
Total liabilities		9,700	10,488
Total equity and liabilities		7,114	9,014

Condensed consolidated interim statement of changes in equity

	Share capital £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Other reserves £'000	Retained Earnings £'000	Total £'000
Balance at 31 December 2008	841	11,055	(5,228)	(981)	(9,063)	(3,376)
Loss for the period	-	-	-	-	(45)	(45)
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	-	-	835	-	835
Total comprehensive income / (expense) for the period	-	-	-	835	(45)	790
Balance at 30 June 2009	841	11,055	(5,228)	(146)	(9,108)	(2,586)

	Share capital £'000	Share Premium £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Other reserves £'000	Retained Earnings £'000	Total £'000
Balance at 31 December 2007	11,610	20,685	11,055	(38,048)	(44)	(7,703)	(2,445)
Shares issued in the period	246	1,131	-	-	(104)	-	1,273
Transactions with owners	246	1,131	-	-	(104)	-	1,273
Loss for the period	-	-	-	-	-	(300)	(300)
Other comprehensive income:							
Exchange differences on translation of foreign operations	-	-	-	-	(2)	-	(2)
Total comprehensive expense for the period	-	-	-	-	(2)	(300)	(302)
Balance at 30 June 2008	11,856	21,816	11,055	(38,048)	(150)	(8,003)	(1,474)

Condensed Consolidated Interim Statement of Cash Flows

	Note	Unaudited Six months ended 30 June 2009 £'000	Unaudited Six months ended 30 June 2008 £'000
Loss before tax		(99)	(299)
Adjustments for:			
Amortisation of intangibles		-	379
Depreciation		110	86
Interest expense		104	128
Restructuring		42	10
Unrealised foreign exchange differences		755	20
Increase / (decrease) in trade and other receivables		1,007	(56)
Decrease in trade and other payables		(774)	(1,523)
Decrease in provisions		(58)	(177)
Cash generated from / (used in) operations		1,087	(1,432)
Interest paid		(40)	(128)
R&D tax credit received		65	-
Net cash generated from / (used in) operating activities		1,112	(1,560)
Cash flows from investing activities			
Purchase of property, plant and equipment		(51)	(28)
Net cash used in investing activities		(51)	(28)
Cash flows from financing activities			
Net proceeds from issue of share capital		-	926
Repayment of short term borrowings		-	(1,500)
Net cash used in financing activities		-	(574)
Net increase / (decrease) in cash and cash equivalents		1,061	(2,162)
Cash and cash equivalents at beginning of period	6	(2,381)	(242)
Cash & cash equivalents at end of period	6	(1,320)	(2,404)

Notes to the Unaudited Interim Report for the six months ended 30 June 2009

1. Nature of operations and general information

Publishing Technology plc (the “Company”) and its subsidiaries (together 'the Group') is a provider of technology and supporting services to publishers and information providers. The nature of the Group’s operations and its principal activities are set out in the full annual financial statements.

The Company is incorporated in the United Kingdom under the Companies Act 2006. The Company's registration number is 837205 and its registered office is Unipart House, Garsington Road, Oxford OX4 2GQ. The condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 10 September, 2009.

The financial information set out in this interim report does not constitute statutory accounts as defined in section 404 of the Companies Act 2006. The Group’s statutory financial statements for the year ended 31 December 2008, prepared under IFRS, have been filed with the Registrar of Companies. The auditor’s report on those financial statements was unqualified and did not contain a statement under section 237(2) of the Companies Act 1985.

2. Basis of preparation

These condensed consolidated interim financial statements are for the six months ended 30 June 2009. They have been prepared following the recognition and measurement principles of IFRS. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2008.

These condensed consolidated interim financial statements have been prepared on the going concern basis under the historical cost convention.

These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year ended 31 December 2008 except for the adoption of IAS 1 Presentation of Financial Statements (Revised 2007).

The adoption of IAS 1 (Revised 2007) does not affect the financial position or profits of the Group, but gives rise to additional disclosures. The measurement and recognition of the Group’s assets, liabilities, income and expenses is unchanged. IAS1 (Revised 2007) affects the presentation of owner changes in equity and introduces a “Statement of comprehensive income”. In accordance with the new standard the Group does not present a “Statement of recognised income and expenses (SORIE)”, as was presented in the 2008 consolidated financial statements. Further, a “Statement of changes in equity” is now presented.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these consolidated interim financial statements.

A detailed set of accounting policies can be found in the annual accounts available on our website, www.publishingtechnology.com or by writing to the Company Secretary.

3. Loss per share

Basic loss per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

For diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. Since the Group is loss making there is no dilutive impact.

	Six months ended 30 June 2009	Six months ended 30 June 2008
Attributable loss (£'000)	(45)	(300)
Weighted average number of ordinary shares	8,413,610	6,779,253
Loss per share (basic and dilutive) arising from both total and continuing operations	(0.53)p	(4.43)p

All potential ordinary shares including options and conditional shares are anti-dilutive. Shares were consolidated on 25 July 2008 on the basis of 1 new share for every 100 existing shares. The loss per share for the six months to 30 June 2008 has been restated on the basis of this consolidation.

4. Trade and other receivables

Trade and other receivables comprise the following:

	Six months ended 30 June 2009	Six months ended 30 June 2008
Trade receivables – gross	1,614	1,633
Less: provision for impairment of trade receivables	(54)	(77)
Trade receivables – net	1,560	1,556
Other receivables	262	864
Prepayments and accrued income	876	355
	2,698	2,775

5. Borrowings

	Six months ended 30 June 2009	Six months ended 30 June 2008
Bank overdrafts	1,669	3,305
Convertible loan note	1,500	1,500
	3,169	4,805
On demand or within one year	2,669	4,305
In second year	500	500
In third to fifth years inclusive	-	-
	3,169	4,805
Amount due for settlement after 12 months	500	500

6. Cash and cash equivalents

	Six months ended 30 June 2009	Six months ended 30 June 2008
Cash and cash equivalents	349	901
Bank overdraft	(1,669)	(3,305)
Cash and cash equivalents including overdraft	(1,320)	(2,404)

7. Trade and other payables

Trade payables comprise the following:

	Six months ended 30 June 2009	Six months ended 30 June 2008
Trade payables	1,266	1,369
Social security and other taxes	778	408
Other payables	71	364
Accruals	774	652
Deferred income	3,342	2,890
	6,231	5,683

8. Contingencies and commitments

There were no contingencies and commitments at the end of this or the comparative period.

9. Post balance sheet events

There were no material events subsequent to the end of the interim reporting period that have not been reflected in the interim financial statements.

10. Copies of the Interim Financial Statements

A copy of the interim statement is available on the Company's website, www.publishingtechnology.com, and from the Company's registered office, Unipart House, Garsington Road, Oxford OX4 2GQ.