

Ingenta plc interim results

Ingenta plc (AIM: ING), (“Ingenta”, the “Company” or the “Group”) a leading provider of world-class software and services to the global publishing industry, today announces its unaudited interim results for the six months to 30 June 2017.

Financial Key Points

- Group revenues up 8% to £7.75m (2016: £7.18m)
- Adjusted EBITDA* up 116% to £659K (2016: £305K)
- Operating profit down 6% to £321K (2016: £341K)
- Cash at 30 June 2017: £1.3m (2016: £1.3m)
- Strong cash conversion and balances are stated after dividend payments and exceptional costs

Operational Key Points

- First Commercial Order to Cash (OTC) module went live in Q1
- Successful Content Management System (CMS) go live in Q1
- All software implementations remain on track
- Advertising customer base expanded into new territories
- Growth in digital capabilities and reach with new advertising partnership
- Sales team recruitment completed in Q2
- Good sales pipeline growth with promising opportunities in new market segments

* Earnings before Interest, Tax, Depreciation and Amortisation is calculated before foreign exchange differences and restructuring costs.

David Montgomery, Chief Executive of Ingenta plc, commented:

I'm pleased to announce that we have delivered another set of positive results which build on the progress made in 2016. There have been a number of operational highlights but perhaps the most significant was the speed and efficiency with which we integrated the 5 Fifteen business and then set about extending the sales pipeline and winning new customers. It is also encouraging to see that our plan to exploit new market segments is making real headway with discussions in place with a number of high profile customers. We have also been busy enhancing the product offering by signing a partnership which improves the digital capabilities of our product without the need for significant research and development spend.

Elsewhere, the Commercial OTC go live in Q1 now means we have a complete Commercial product set with referenceable clients. This, combined with a fully operational sales team, means we are in a strong position to exploit the product investment made in prior years.

As ever, these results would not have been possible without the dedication and professionalism of the Ingenta staff and I would like to thank everyone for their efforts and look forward to continued success in the second half of the year. The Board believes the Group is on track to meet market expectations for 2017.

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Ingenta business

Revenue for the first half of 2017 has improved compared to the same period last year because of the inclusion of the advertising business which was acquired in the second half of 2016.

Kathryn Layland was appointed EVP of Business Development at the end of 2016 and during the first half of 2017 she has successfully restructured the sales and marketing team to enable it to generate sales growth across products, markets and territories. There is now a much stronger sales pipeline than in prior years and these efforts should be rewarded in the second half with a number of promising opportunities nearing completion.

A key sales success in 2017 was extending the advertising relationship with Hearst into the Italian market with further opportunities being actively explored to expand the product reach into new territories and market segments. The digital capabilities of the product have also been improved with the addition of a data management platform allowing users to gain valuable insights into their target audience.

The Commercial product reached a significant milestone by going live with the final 'OTC' module of its software offering. This installation is fully referenceable and now, with a much improved sales pipeline, it will provide added impetus to the sales and marketing efforts in this area.

On the content side, CMS too completed a successful go live in the first half and has 3 more scheduled for later in the year. The pipeline continues to be robust with a significant number of opportunities within the key scholarly and academic sphere.

Financial review

Revenues have improved because of the addition of the Advertising business that wasn't present in the first half of 2016. These advertising revenues yielded good margins and in combination with tight cost controls across the business, reported gross profit has improved.

Sales and marketing spend is marginally lower than last year due to restructuring and timing of new recruits this year. The sales team was at full strength by the end of the first half of 2017 and this signals the business has moved away from a heavy development stage and can concentrate on leveraging the product investment of prior years.

Administrative expenses have increased by £356K although the majority of this is due to exchange differences which are £271K worse than last year because of the relative movements in the Euro and Dollar rates. There has also been £42K of additional Goodwill amortisation charges relating to the acquired advertising business and an additional £61K of restructuring costs charged into 2017.

Profit from operations remained stable though results from the Chinese joint venture were down due to project delays. These are substantially complete at half year and a number of new projects are due to start in the second half of the year.

Cash Flow

Cash outflow from operations was £466K in the 6 months to 30 June 2017. The majority of this was due to timing of receipts with over £400K being received in early July. Significantly, the Company also paid out its maiden dividend of £169K in the first half of the year.

As in the prior year, the R&D tax credit of £143K (2016: £405K) was received in July and did not impact the first half cash flow.

D R Montgomery
Chief Executive Officer

Condensed Consolidated Interim Statement of Comprehensive Income

	Note	Unaudited Six months ended 30 June 2017 £'000	Unaudited Six months ended 30 June 2016 £'000
Group revenue		7,747	7,175
Cost of sales		(4,860)	(4,614)
Gross profit		2,887	2,561
Sales and marketing expenses		(655)	(665)
Administrative expenses		(1,911)	(1,555)
Profit from operations		321	341
Share of (loss) / profit from equity accounted investment	4	(150)	40
Finance costs		(20)	(13)
Profit before tax		151	368
Tax		(5)	(2)
Retained profit for the period		146	366
Other comprehensive expenses which will be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(46)	(27)
Total comprehensive income for the period		100	339
Basic profit per share – pence	5	0.59p	2.08p
Diluted profit per share – pence	5	0.58p	2.01p

Analysis of profit from operations

Profit before net finance costs, tax, depreciation and foreign exchange gains and losses (EBITDA)	659	305
Depreciation	(132)	(90)
Foreign exchange (loss) / gain	(94)	177
Restructuring costs	(112)	(51)
Profit from operations	321	341

Condensed Consolidated Interim Statement of Financial Position

	Note	Unaudited 30 June 2017 £'000	Unaudited 30 June 2016 £'000
Non-current assets			
Goodwill	3	4,900	3,737
Other intangible assets	3	408	-
Property, plant & equipment		172	213
Investments accounted for using the equity method	4	218	238
		<u>5,698</u>	<u>4,188</u>
Current assets			
Trade and other receivables	6	3,790	3,306
Research and development tax credit receivable		143	405
Cash and cash equivalents	7	1,255	1,293
		<u>5,188</u>	<u>5,004</u>
Total assets		<u>10,886</u>	<u>9,192</u>
Equity			
Share capital		1,692	1,632
Share premium		8,999	8,294
Merger reserve		11,055	11,055
Reverse acquisition reserve		(5,228)	(5,228)
Translation reserve		(917)	(914)
Investment in own shares		-	(1)
Share option reserve		80	19
Retained earnings		(10,263)	(10,873)
		<u>5,418</u>	<u>3,984</u>
Non-current liabilities			
Deferred tax liability		82	-
Finance leases		21	69
		<u>103</u>	<u>69</u>
Current liabilities			
Trade and other payables	8	3,538	2,874
Deferred income		1,827	2,265
		<u>5,365</u>	<u>5,139</u>
Total equity and liabilities		<u>10,886</u>	<u>9,192</u>

Unaudited condensed consolidated interim statement of changes in equity

	Share capital	Share premium	Merger reserve	Reverse acquisition reserve	Translation reserve	Investment in own shares	Share option reserve	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2017	1,692	8,999	11,055	(5,228)	(871)	-	-	(10,240)	5,407
Dividends paid	-	-	-	-	-	-	-	(169)	(169)
Share based payment expense	-	-	-	-	-	-	80	-	80
Transactions with owners	-	-	-	-	-	-	80	(169)	(89)
Profit for the period	-	-	-	-	-	-	-	146	146
Other comprehensive income:									
Exchange differences on translation of foreign operations	-	-	-	-	(46)	-	-	-	(46)
Total comprehensive income / (expense) for the period	-	-	-	-	(46)	-	-	146	100
Balance at 30 June 2017	1,692	8,999	11,055	(5,228)	(917)	-	80	(10,263)	5,418
	Share capital	Share premium	Merger reserve	Reverse acquisition reserve	Translation reserve	Investment in own shares	Share option reserve	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2016	1,632	8,294	11,055	(5,228)	(887)	(1)	-	(11,239)	3,626
Share based payment expense	-	-	-	-	-	-	19	-	19
Transactions with owners	-	-	-	-	-	-	19	-	19
Profit for the period	-	-	-	-	-	-	-	366	366
Other comprehensive income:									
Exchange differences on translation of foreign operations	-	-	-	-	(27)	-	-	-	(27)
Total comprehensive income / (expense) for the period	-	-	-	-	(27)	-	19	366	358
Balance at 30 June 2016	1,632	8,294	11,055	(5,228)	(914)	(1)	19	(10,873)	3,984

Condensed Consolidated Interim Statement of Cash Flows

		Unaudited Six months ended 30 June 2017	Unaudited Six months ended 30 June 2016
	Note	£'000	£'000
Profit before tax		151	368
Adjustments for:			
Share of loss / (profit) from equity accounted investment	4	150	(40)
Depreciation		132	90
Share based payment expense		80	19
Interest expense		20	13
Unrealised foreign exchange differences		(46)	(27)
Decrease in trade and other receivables		1,600	961
Decrease in trade and other payables		(2,553)	(2,056)
Cash outflow from operations		(466)	(672)
Tax Paid		(5)	(2)
Net cash outflow from operating activities		(471)	(674)
<u>Cash flows from financing activities</u>			
Share issue		-	-
Dividends paid		(169)	-
Payment of finance leases		(61)	(90)
Loans received		-	-
Loans repaid		-	-
Interest paid		(20)	(13)
Net cash used in financing activities		(250)	(103)
<u>Cash flows from investing activities</u>			
Purchase of property, plant and equipment		(52)	(7)
Net cash used in investing activities		(52)	(7)
Net decrease in cash and cash equivalents		(773)	(784)
Cash and cash equivalents at beginning of period		2,028	2,077
Cash & cash equivalents at end of period	7	1,255	1,293

Notes to the Unaudited Interim Report for the six months ended 30 June 2017

1. Nature of operations and general information

Ingenta plc (the “Company”) and its subsidiaries (together 'the Group') is a provider of technology and supporting services to content providers and publishers. 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 8100 Alec Issigonis Way, Oxford OX4 2HU. The condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 13 September 2017.

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 2016, prepared under IFRS as adopted by the European Union, 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 498 (2) or section 498 (3) of the Companies Act 2006.

2. Basis of preparation

These unaudited condensed consolidated interim financial statements are for the six months ended 30 June 2017. They have been prepared following the recognition and measurement principles of IFRS as adopted by the European Union. 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 2016.

These condensed consolidated interim financial statements have been prepared on the going concern basis under the historical cost convention and have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year ended 31 December 2016.

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.ingenta.com or by writing to the Company Secretary at the registered office as above.

3. Goodwill and Intangibles

Full details of the Group's policies on Goodwill and Intangibles is presented in the financial statements for the year ended 31 December 2016.

4. Equity accounted investment

The Group holds a 49% voting and equity interest in Beijing Ingenta Digital Publishing Technology Ltd (BIDPT), a joint venture company registered in the People's Republic of China.

This investment is accounted for under the equity method. BIDPT has a reporting date of 31 December. The shares are not publicly listed on a stock exchange and hence published price quotes are not available. Certain unaudited financial information on BIDPT is as follows:

	30 June 2017	30 June 2016
	£'000	£'000
Assets	2,030	1,522
Liabilities	1,479	958
	Six months ended	Six months ended
	30 June 2017	30 June 2016
	£'000	£'000
Revenues	451	812
(Loss) / Profit	(306)	81
(Loss) / Profit attributable to the Group	(150)	40
Changes in equity accounted investment	Six months ended	Six months ended
	30 June 2017	30 June 2016
	£'000	£'000
Investment Book Value as at 1 January	368	198
(Loss) / Profit attributable to the Group	(150)	40
Investment Book Value as at 30 June	218	238

Dividends are subject to the approval of at least 51% of all shareholders of BIDPT. The Group has received no dividends.

5. Profit / (loss) per share

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

For diluted profit / (loss) per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

	Six months ended 30 June 2017	Six months ended 30 June 2016
Attributable profit (£'000)	100	339
Weighted average number of ordinary basic shares (basic)	16,919,609	16,319,609
Weighted average number of ordinary shares (diluted)	17,375,609	16,845,609
Profit per share (basic) arising from both total and continuing operations	0.59p	2.08p
Profit per share (dilutive) arising from both total and continuing operations	0.58p	2.01p

6. Trade and other receivables

Trade and other receivables comprise the following:

	30 June 2017 £'000	30 June 2016 £'000
Trade receivables – gross	2,712	2,322
Less: provision for impairment of trade receivables	(12)	(21)
Trade receivables – net	2,700	2,301
Other receivables	117	124
Prepayments and accrued income	973	881
	<u>3,790</u>	<u>3,306</u>

7. Cash and cash equivalents

	30 June 2017 £'000	30 June 2016 £'000
Cash and cash equivalents	1,255	6,528
Bank overdraft	-	(5,235)
Cash and cash equivalents including overdraft	1,255	1,293

8. Trade and other payables

Trade payables comprise the following:

	30 June 2017 £'000	30 June 2016 £'000
Trade payables	423	589
Social security and other taxes	396	293
Other payables	1,083	1,196
Accruals	1,636	796
	3,538	2,874

9. Contingencies and commitments

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

10. 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.

11. Copies of the Interim Financial Statements

A copy of the interim statement is available on the Company's website, www.ingenta.com, and from the Company's registered office, 8100 Alec Issigonis Way, Oxford OX4 2HU.