22 March 2010

Publishing Technology plc announces Preliminary Results for 2009

Enabling digital transformation of the global publishing industry

Publishing Technology plc (PTO.L) ("Publishing Technology", the "Group"), the AIM quoted, leading provider of information technology tools and online services to international book and academic publishers, is pleased to announce its audited results for the year ended 31 December 2009.

Highlights

- Total revenues of £15.3m (2008: £15.4m)
- Group EBITDA of £0.9m (2008: £0.9m)
- Gross profit of £6.1m (2008: £6.1m)
- Net profit of £0.5m (2008: loss of £1.4m), after £0.2m forex loss (2008: £0.2m forex profit)

In last year's very difficult economic and business environment Publishing Technology recorded its first net profit and is now poised for further growth as markets recover and its new product initiatives gain customers.

2009 Successes included:

- First major digital platform sale in Japan
- Opening of business in Brazil
- Four sales of new advance products in the USA
- A £1.9m improvement in net profit, posting an unadjusted net profit for the first time.
- High levels of recurring contract renewals and extensions
- £1m of positive cash flow

Capitalising on the dynamic change in publishing

The publishing industry is going through an exciting period of development, change and re-invention which increases the sector's growth potential. The Group is focussed on the books, education, and academic sectors of publishing, which each have an opportunity to grasp the enormous potential of the digital revolution and achieve substantial growth. The company has the solutions publishers need to take full advantage of this opportunity.

Publishing Technology's systems continue to fully support printed product but now embrace the developing digital era by managing information assets and giving publishers the best strategic tool for growth. These products are unique in the industry for the breadth and depth of their capabilities, and because they have been specifically developed to capitalise on digital routes to market.

Developing products core to publishers' evolving needs

The Board of Publishing Technology recognised a number of years ago that the publishing industry was changing and therefore over the past three years the Group has invested heavily in new products:

- advance – supports publishers' infrastructure, such as production, distribution, royalties etc
- pub2web – online multi-content platform that can host journals, books, manuals, podcasts etc
- ICS – maximises the value of publisher's digital assets

The company also continues to invest in IngentaConnect, a multi-content search, browse and read platform which, while not a new product, has been significantly reinvigorated.

There remains another year of intensive product development ahead, but the business now has the core product set which the Board believes is no longer a 'nice to have' for publishers, but a 'must have'.

There is undoubtedly a market need for these new products, which encompass a fundamentally fresh approach to the issues facing publishers. The challenge is to develop market awareness and therefore revenue and profit from the latent potential that lies within all publishers. The difference between mere mid-term solid performance and mid-term explosive success will lie in our ability to develop this market place.

The e-book wave, Apple iPad and iPhone are a manifestation of the change, but the transformation of publishing will also come from the backbone of systems needed to create, market, sell, fulfil, and financially manage the deconstructed and granular product of tomorrow.

Publishing Technology has understood this, and has spent several years investing in constructing new systems from the ground up specifically for this brave new world.

Expanding internationally to drive growth

During 2009 positive results were gained from the decision to focus internal business expansion in Japan, Brazil and Germany. Publishing Technology now has small operation functioning in Brazil with a solid pipeline of opportunities, and the first major digital platform customer in Japan has been secured. The company intends to push forward in both countries in 2010 to broaden its appeal. In Germany the company will continue to focus on digital online products, where demand is greatest.

In Australia, following some market research and visits last year, we have decided to push forward with the sales of our advance product. To this end the company will be incorporating a business in Australia, and is very confident that Australia represents an interesting and profitable opportunity for Publishing Technology in the coming years.

George Lossius, Chief Executive of Publishing Technology, commented:

"Publishing across all sectors – scholarly, trade, book and journal – is going through huge change. The opportunities are considerable as publishers seek to capitalise on the digital revolution. Never has investment in the right systems and software been so relevant; I am pleased that we have the products to support publishers in their quest to maximise revenues from online channels while continuing to underpin their distribution, production, and royalty operations with a suite of products that deliver on their promises to be cost-effective, efficient and future proof. Publishing Technology is at the heart of journal and book publishing around the world as our products and services benefit from years of experience and brand legacy alongside the immense innovation, expertise and investment that we consider to be essential to maintaining our position as global brand leader."

Martyn Rose, Non-Executive Chairman of Publishing Technology, commented:
"We have now developed a very effective strategy to help publishers capitalise on the digital revolution. In conjunction with this, we have expanded our offering internationally while continuing to focus on internal costs and efficiencies, all of which should flow through for the benefit of shareholders."

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Chairman's statement

Our aim for 2009 was to consolidate the operational improvements and progress made since the 2007 merger, generate revenues from the very substantial investment made since that time in new products and services and begin to develop a degree of geographic expansion.

The economic turmoil of 2009 certainly delayed some of these plans, reducing capital expenditure budgets which impacted on some of the implementation revenues. Nevertheless, we did succeed in opening up markets for new products and selling into new overseas regions, particularly Brazil and Japan.

Whilst revenues were static, profitability and cash generation improved substantially, leading the Group to report its first ever unadjusted net profits.

Following the merger in 2007, the group has invested more than £6m over the last three years in new products and services for the publishing industry and is now delivering a range of world beating new products, backed by knowledgeable and experienced staff who are subject matter experts in their field.

We are confident that we have the right products for our customers right now and therefore we expect to see success reflected in the coming years.

In 2009 revenues were £15.3m (2008: £15.4m) and gross margin 40% (2008: 40%). EBITDA in the year was £0.9m (2008: £0.9m). The profit before tax in the year was £0.3m which is after £3.1m (2008: £2.8m) invested in research and development, all of which was expensed through the income statement as incurred, and after a foreign exchange loss of £0.2m (2008: £0.2m gain).

The intangible assets acquired on the reverse acquisition of Ingenta plc in 2007 were fully written off in 2008 and therefore 2009 does not include any further amortisation of intangibles (2008: £1.5m). 2008 also included £0.4m of onerous lease provision not repeated in 2009. The Group generated cash of £1m in the year bringing the net cash balance at 31 December 2009 to a deficit of £1.4m (2008: £2.4m deficit).

The contribution made by all Publishing Technology staff in 2009 continues to be impressive. From the front line customer support staff available 24/7, through the creativity and hard work of the research and development team, to the back office support staff who geared up so successfully for our UK head office move in early 2010, everyone has delivered results in 2009.

This year we welcomed a number of new employees to our expanding global team as far afield as Rio de Janeiro, Sao Paolo, California, and France as well as in our domestic markets. Overall our staff numbers increased by an average of five heads although this includes a number of changes in skill sets and focus as we put more emphasis on sales and marketing. The Board wishes to thank all staff for their continued commitment to the Group.

Given the Group's success so far in the engineering of our new products and our commitment to continue to invest heavily in research and development, we are well positioned to capitalise on publishers' needs during the course of this year.

We have a pipeline of new products coming to market, and with a more effective marketing and distribution approach, the Group's position as the provider of solutions for all publishers' needs will be reinforced.

M C Rose
Chairman
19 March 2010
Publishing Technology plc

Chief executive's review

Publishing Technology provides the broadest set of software systems and supporting services for the publishing industry. Our systems support the infrastructure of a publisher (production, distribution, royalties, editorial etc.) and the digital delivery of publisher products (e-commerce B2C, online research platforms, digital product marketing, online access management etc), while our PCG division provides sales & marketing consultancy services for publishers.

We are unique in our field for two primary reasons:

- the breadth and end to end nature of the systems and services we provide publishers; and
- our modern technology solutions, which have all been developed in the past few years, built from the bottom up for the publishing world of tomorrow, rather than legacy products manipulated to work in today's world.

Our challenge is not therefore the validity of what we have to offer, but promoting the necessity of innovative change within our target community. To help us achieve this, we have for 2010 embarked on a more intense marketing and PR campaign, retaining specialists in the publishing community as well as specialists in digital PR.

We are also increasing our sales team and generally pushing towards greater proactive marketing and selling. We are already seeing some positive benefits, and hope to see these build during 2010. This is an exciting time in our target industry, and we intend to ensure that we are an integral part of the evolution.

Geographic expansion

During 2009 we obtained some positive results from our decision to focus international business expansion in Japan, Brazil and Germany. We now have a small operation functioning in Brazil with a solid pipeline of opportunities, and we obtained our first major digital platform customer in Japan. We intend to continue our growth in Brazil, and, following the launch of our first and ground breaking site in Japan, push hard to broaden our appeal in the academic publishing sector in that region. In Germany, we still believe the need for our digital / online products remains firm, but we found it a challenge in 2009 to convert this to sales.

In Australia we have historically operated through agents. However, having spent considerable time assessing the market and conducting detailed market research, we have decided now is the right time to have a greater degree of control over this market and push forward with direct sales of our advance product.

To this end we will be incorporating a business in Australia, and we have also come to Heads of Agreement with our principal agent, Vista Computer Services Pty ("Vista"), to create a Joint Venture with the possible transfer of ownership of Vista to Publishing Technology over the next five years. We feel very confident that Australia represents an interesting and profitable opportunity for Publishing Technology in the coming years.

New products

Over the last three years Publishing Technology, realising that the publishing landscape was changing rapidly, invested heavily in new products, resulting in four world beating product suites:-

advance

A state-of-the-art modular business solution, fully configurable and designed from the ground up to support granular product structures and evolving trends. The integrated modules include; Product Manager, Contract, Rights and Royalties, Order to Cash, Relationship Manager and Information Commerce.

pub2web

An online, multi-content platform which can host journals, books, manuals, conference proceedings, podcasts and more. Users can search or browse across the collection and purchase content online. It is a hosting platform that supports all the information that the publishers publish. It is built from the ground up to showcase and connect all content, regardless of format. It provides the publishers with online publishing essentials such as content conversion, discovery, authentication and customer support. It delivers sophisticated functionality in e-commerce, search and browse.

ICS (Information Commerce Software)

A product designed to maximise the value of an organisation's digital assets, capable of holding assets in granular form and re-constituting new products from various combinations of granular assets. As an example a publisher could hold a law book broken down to chapters, paragraphs, quotes or even the table of contents and be able to sell or re-purpose each of these singly or as part of a different package increasing potential revenue from currently held assets. Its intuitive, web-based interface allows simple management of complex entitlements and digital assets, facilitates the creation of new product bundles, and the application of unique pricing and special product promotions.

IngentaConnect

IngentaConnect is not a new product, but it is one that is being reinvigorated by advances in the digital publishing arena. The "home of scholarly publishing", ingentaconnect.com hosts the content of over 270 publishers. Like pub2web, IngentaConnect is a multi content search, browse, read, annotate hosted platform, but unlike pub2web, it operates more like a Cloud Computing or Software as a Service (SaaS) model. During 2009 publishers were hesitating to invest in new digital hosting platforms, but in early 2010 we are seeing a far greater willingness to invest. IngentaConnect is not only a perfect solution for large publishers to have multiple platforms for their content, but a perfect starting point for smaller publishers.

Outlook

By capitalising on business improvements and efficiencies, our new products and the exciting expansion into new markets, we have a very ambitious view of our future. However, for 2010 we will remain prudent in our outlook, looking to solidify our position as a profitable business and re-igniting growth following the turbulence of 2009.

The industry we serve is going through a transformational phase. Whilst the change is more likely to be evolutionary rather than revolutionary, the opportunities presented to Publishing Technology's businesses are nevertheless exciting and real.

G M Lossius
Chief Executive Officer
19 March 2010
Publishing Technology plc

Financial review

For the year ended 31 December 2009

Overview

Financially 2009 has been a year of progress. For the first time since Ingenta plc bought out BIDS from the University of Bath in 1998, the Group has recorded a net profit. This is a direct consequence of the business strategy employed since the reverse acquisition of Ingenta plc by Vista International Ltd in 2007.The improvement over the last three years has seen the bottom line change from a loss of £1.6m in 2007 and a loss of £1.4m in 2008 to a profit of £0.5m in 2009.

The improvement in underlying business performance is also reflected by cash flow, with the business generating £1.4m from operations for the year to 31 December 2009 and reducing net borrowing by £1m.

Revenue, gross margin and EBITDA remained constant from 2008 to 2009 and whilst this performance was not as good as the Board would have wished the stability of the Group in a turbulent year gave substantial comfort.

Operating results

Net profit for the year was £0.5m (2008: net loss £1.4m)
Revenue for the year ended 31 December 2009 was £15.3m (2008: £15.4m).
Gross profit for the year was £6.1m (2008: £6.1m) and gross margin as a percentage of revenue was 40% (2008: 40%).

Sales and marketing and administrative expenses in the year were £5.6m (2008: £5.7m). This is the first year in which the Group has a profit before tax which was £0.3m (2008: £1.2m loss before tax) and a net profit for the year which was £0.5m (2008: £1.4m loss).

Taxation

A tax credit of £170K (2008: nil) is included in the results for 2009 relating to amounts received and receivable under the Research and Development tax credit scheme. The claim has been prepared on the same basis as in prior years and is subject to HM Revenue and Customs' approval.

The Group has unutilised tax losses at 31 December 2009 in the UK and the USA of £14.2m (2008: £12.1m) and $18.6m (2008: $15.5m) respectively. The tax losses in the USA are restricted from April 2008 due to change of control rules being triggered by the issue of new shares in the parent company. It was thought the U.S. tax losses would have been restricted to approximately $150K per annum. However after further review, the Board believe the losses available will be approximately $500K per annum, allowing the Group to potentially make use of all losses brought forward.

Financial position and cash

Shareholders' deficit totalled £2.6m at the year end (2008: deficit £3.4m). The reduction is mainly due to the retained profit in the year and a reduction in the translation reserves created on consolidation.

The Directors do not recommend the payment of a dividend (2008: £nil).

Cash inflow from operating activities was £1.4m (2008: £1.5m outflow). At the year end, net bank overdraft was £1.4m (2008: £2.4m), an improvement of £1m in the year.

Cash absorbed by operations for capital expenditure during the year amounted to £0.2m (2008: £0.2m). A tax credit of £0.1m (2008: £0.4m) in respect of Research and Development expenditure was received in the year which related to the year ended 31 December 2008.

Debtor days have remained relatively constant over the year but creditor days have once again been reduced in line with management commitment to pay all suppliers in good time. Creditor days were as high as 150 days at the time of the merger in 2007 and the Board are pleased that the Group has managed to bring the creditor balance down to its current level of 64 days and are committed to ensuring continued improvement.

A B Moug C.A.
Chief Financial Officer
19 March 2010
Publishing Technology plc

Group Statement of Comprehensive Income
For the year ended 31 December 2009

	note	Year ended 31 Dec 09 £'000	Year ended 31 Dec 08 £'000
Revenue		15,262	15,351
Cost of sales		(9,119)	(9,207)
Gross profit		6,143	6,144
Sales and marketing expenses		(1,722)	(1,929)
Administrative expenses		(3,914)	(3,773)
Amortisation and impairment of intangibles		-	(1,494)
Other Income – rental income		-	117
Profit / (loss) from operations	2	507	(935)
Analysis of profit / (loss) from operations:			
Profit before net finance costs, tax, depreciation, amortisation, impairment and foreign exchange gains and losses (EBITDA)		913	919
Depreciation		(186)	(220)
Amortisation and impairment of intangibles		-	(1,494)
Provision for onerous lease		-	(358)
Gain on sale of investments		-	9
Loss on sale of property, plant and equipment		-	(2)
Foreign exchange (loss) / gain		(162)	224
Restructuring costs		(58)	(13)
Profit / (loss) from operations		507	(935)
Finance income		-	1
Finance costs		(220)	(317)
Profit / (loss) before income tax		287	(1,251)
Income tax	3	213	(109)
Profit / (loss) for the year attributable to equity holders of the parent		500	(1,360)
Other comprehensive income / (expense)			
Exchange differences on translation of foreign operations		315	(940)
Total comprehensive income / (expense) for the year attributable to equity holders of the parent		815	(2,300)
Basic and diluted earnings / (loss) per share (pence)	4	5.95	(17.90)

All activities are classified as continuing.

Group Statement of Financial Position
As at 31 December 2009

	note	31 Dec 2009 £000	31 Dec 2008 £000	31 Dec 2007 £000
Non-current assets				
Goodwill and other intangible assets		3,737	3,737	5,231
Property, plant and equipment		346	389	307
Available for sale investments		-	-	102
		4,083	4,126	5,640
Current assets				
Trade and other receivables		2,883	3,661	2,539
R & D tax credit receivable	3	170	-	315
Cash and cash equivalents		1,162	734	581
		4,215	4,395	3,435
Total assets		8,298	8,521	9,075
Equity				
Share capital		841	841	11,610
Share premium		-	-	20,685
Merger reserve		11,055	11,055	11,055
Reverse acquisition reserve		(5,228)	(5,228)	(38,048)
Translation reserves		(662)	(977)	(37)
Retained earnings		(8,563)	(9,063)	(7,703)
Investment in own shares		(4)	(4)	(7)
Total equity		(2,561)	(3,376)	(2,445)
Non-current liabilities				
Borrowings		1,500	500	1,000
Provisions		20	200	-
		1,520	700	1,000
Current liabilities				
Trade and other payables		6,715	6,924	7,020
Borrowings		2,538	4,115	3,323
Provisions		86	158	177
		9,339	11,197	10,520
Total liabilities		10,859	11,897	11,520
Total equity and liabilities		8,298	8,521	9,075

Group Statement of Changes in Equity
Year ended 31 December 2009

	Share capital	Merger reserve	Reverse acquisition reserve	Translation reserve	Retained earnings	Investment in own shares	Total attributable to owners of parent
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2009	841	11,055	(5,228)	(977)	(9,063)	(4)	(3,376)
Profit for the year	-	-	-	-	500	-	500
Exchange differences on translating foreign operations	-	-	-	315	-	-	315
Total comprehensive income for the period attributable to equity holders of the parent	-	-	-	315	500	-	815
Balance at 31 December 2009	841	11,055	(5,228)	(662)	(8,563)	(4)	(2,561)

Year ended 31 December 2008

	Share capital	Share premium	Merger reserve	Reverse acquisition reserve	Translation reserve	Retained earnings	Investment in own shares	Total attributable to owners of parent
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2008	11,610	20,685	11,055	(38,048)	(37)	(7,703)	(7)	(2,445)
Shares issued in the year	245	1,348	-	-	-	-	-	1,593
Costs associated with shares issued in the year	-	(227)	-	-	-	-	-	(227)
Other movements in the year	(11,014)	(21,806)	-	32,820	-	-	3	3
Transactions with owners	(10,769)	(20,685)	-	32,820	-	-	3	1,369
Profit for the year	-	-	-	-	-	(1,360)	-	(1,360)
Exchange differences on translating foreign operations	-	-	-	-	(940)	-	-	(940)
Balance at 31 December 2008	841	-	11,055	(5,228)	(977)	(9,063)	(4)	(3,376)

Other movements in the year to 31 December 2008 relate to a capital reduction and to sales of shares from the Employee Share Ownership Trust.

Group Statement of Cash Flows

For the Year ended 31 December 2009

	Year ended 31 Dec 09 £'000	Year ended 31 Dec 08 £'000
Profit / (loss) before taxation	287	(1,251)
Adjustments for		
Amortisation of intangibles	-	1,494
Depreciation	186	220
Loss on sale of property, plant and equipment	-	2
Gain on sale of investments	-	(9)
Investment income	-	(1)
Interest expense	220	317
Unrealised foreign exchange differences	543	(1,306)
Decrease / (increase) in trade and other receivables	778	(1,122)
Increase in R & D tax credit receivable	(170)	-
Decrease in trade and other payables	(209)	(14)
(Decrease) / increase in provisions	(252)	181
Cash from / (used in) operations	1,383	(1,489)
Interest paid	(250)	(396)
R&D tax credit received	64	342
Net cash from / (used in) operating activities	1,197	(1,543)
Cash flows from investing activities		
Purchase of property, plant and equipment	(164)	(176)
Cash flows from sale of investments	-	109
Interest received	-	1
Net cash used in investing activities	(164)	(66)
Cash flows from financing activities		
Net proceeds from issue of share capital	-	1,093
Costs of issuing shares	-	(227)
Repayment of short term borrowings (revolving credit facility)	-	(1,500)
Net cash used in financing activities	-	(634)
Net increase / (decrease) in cash and cash equivalents	1,033	(2,243)
Cash and cash equivalents at the beginning of the year	(2,381)	(242)
Exchange differences on cash and cash equivalents	(28)	104
Cash and cash equivalents at the end of the year	(1,376)	(2,381)

Notes to the Group financial statements
For the Year ended 31 December 2009

1. Basis of preparation

The principal accounting policies of the group are set out in the group's 2009 annual report and financial statements.

2. Profit / (loss) from operations

Profit / (loss) from operations has been arrived at after charging / (crediting):

	Year ended 31 Dec 09	Year ended 31 Dec 08
	£'000	£'000
Research and development costs	3,094	2,813
Net foreign exchange losses / (gains)	162	(224)
Depreciation of property, plant and equipment		
- owned assets	186	220
Operating lease rentals:		
- land and buildings	553	578
- other	185	200
Amortisation of intangible assets	-	747
Impairment of intangible assets	-	747
Provision for onerous lease	-	358
Loss on sale of property, plant and equipment	-	(2)
Gain on sale of investments	-	9
Auditor's remuneration	85	115

3. Tax

	Year ended 31 Dec 09	Year ended 31 Dec 08
	£'000	£'000
Analysis of charge in year		
Current tax:		
- Current Research and Development tax credit - UK	170	-
- Adjustment to prior year charge	43	(109)
Taxation	213	(109)

The Group has unutilised tax losses at 31 December 2009 in the UK and the USA of £14.2m (2008: £12.1m) and $18.6m (2008: $15.5m) respectively. These losses are still to be agreed with the tax authorities in the UK and USA.

It was thought the U.S. tax losses would have been restricted to approximately $150K per annum. However, after further review, the Board believe the losses available will be approximately $500K per annum, allowing the Group to potentially make use of all losses brought forward.

The differences are explained below:

Reconciliation of tax expense	Year ended 31 Dec 09 £'000	Year ended 31 Dec 08 £'000
Profit / (loss) on ordinary activities before tax	287	(1,251)
Tax at the UK corporation tax rate of 28% (2008: 28.5%)	80	(357)
Income not subject to corporation tax		
Property, plant and equipment	-	(10)
Others	-	(11)
Expenses not deductible for tax purposes	28	423
Additional deduction for R&D expenditure	(159)	(266)
Utilisation of UK losses	(88)	-
Unrelieved UK losses carried forward	125	130
Utilisation of US losses	(17)	-
Unrelieved US losses carried forward	88	112
Effect of foreign tax rates	24	(32)
Difference in timing of allowances	(250)	11
Adjustment to tax charge in respect of prior years	(44)	109
Total taxation	(213)	109

United Kingdom Corporation tax is calculated at 28% (2008: 28.5%) of the estimated assessable profit for the Year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. A deferred tax asset has not been recognised in relation to tax losses due to uncertainty over their recoverability.

4. Earnings per share

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

For diluted earnings / (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 interest net of tax and other changes in income or expense per ordinary share obtainable on conversion of the convertible loan is greater than basic earnings per share for continuing operations there is no dilutive impact. And, since all outstanding options have an exercise price in excess of the average market rate in the year there is no dilutive impact from options granted.

	Year ended 31 Dec 2009	Year ended 31 Dec 2008
	£'000	£'000
Attributable profit / (loss)	500	(1,360)
Weighted average number of ordinary shares ('000)	8,414	7,596
Earnings / (loss) per share (basic and dilutive) arising from both total and continuing operations	5.95p	(17.90) p

All potential ordinary shares including options and conditional shares are anti-dilutive.

5. Publication of non-statutory accounts

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in the Companies Act 2006.

The group statement of comprehensive income, group statement of financial position, group statement of changes in equity, group statement of cash flows and associated notes have been extracted from the group's 2009 statutory financial statements upon which the auditor's opinion is unqualified and which do not include any statement under section 498 of the Companies Act 2006.

Those financial statements will be delivered to the registrar of companies following this announcement.

This announcement and the annual report and accounts will be available on the Company's website www.publishingtechnology.com. A copy of the report and accounts will be sent to shareholders with details of the annual general meeting in due course.