Publishing Technology plc interim results

Publishing Technology plc (LSE: PTO), ("Publishing Technology" or the "Group") the AIM quoted leading provider of online systems, management software and consulting services to trade and academic publishers of journals and books, today announces its unaudited interim results for the six months to 30 June, 2010.

Results

- EBITDA up 30% to £0.471m (2009: £0.363m)
- Revenues down 2.5% to £7.487m (2009:£7.676m)
- Gross Profit up 5% to £3.174m (2009: £3.017m)
- Net Profit £0.226m (2009: £0.045m loss)
- Continuing high level of recurring revenues
- Positive earnings per share

New customers

- 15 sales of new *advance*, *pub2web & ICS* modules
- Over $5m worth of new software sales in the USA, Brazil and Japan in the last 12 months

New markets

- Brazil and Latin American revenue growing faster than expected
- Launching the first site in Japan in September

Positive outlook

Despite the continuing economic uncertainty, the business is performing to expectations in the year with both profitability and margin slightly ahead of management expectations at the half year stage. New products and new markets are beginning to contribute positively to the profitability of the Group and are expected to make a significant difference in the coming 12 months as the volume of installed new product increases.

George Lossius, Chief Executive, commented:

"This has been another solid performance from Publishing Technology as we move into full scale marketing of the newly developed products in which we have been investing over the last 3 years. We have seen significant sales success already, and feel ever more confident that the Board's investment decisions will deliver the returns we expected."

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, 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 not for profit institutions, such as the World Bank, the IMF and OECD.

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Chief Executive's statement

The Group has continued to improve profitability in the first 6 months. Revenues have been held held up well despite the ongoing financial uncertainty in the wider economy and we have improved efficiency and reduced direct and indirect costs to further strengthen the Group and its future value.

Gross margin of £3.174m is slightly up on budget and £0.157m (5%) better than the previous year. Costs are in line with 2009 although sales and marketing costs have increased as we invest to sell the new *advance* product suite.

The success we have had in selling modules of our new *advance* product is particularly encouraging. To date, we have sold 15 modules to 7 customers with a value of over $5m in software and services.

Improving efficiency and holding revenues steady in the current climate underlines the soundness and stability of the Group and the skill and dedication of our staff.

Our confidence in the ground-breaking developments in our new product range is being rewarded this year so far and, looking forward, we believe this will improve in the second half of 2010 and into 2011.

Outlook

The second half should benefit from a natural cyclical increase in sales in certain areas of the business buoyed by additional revenues from expected new sales of *advance, pub2web* and the continued expansion in Latin America and Australia.

G M Lossius
Chief Executive Officer

Financial review

EBITDA (profit before finance costs, tax, depreciation, restructuring, amortisation, and foreign exchange gains and losses) increased by 30% to £0.471m in the first half of 2010 from £0.363m in the first half of 2009, with improved gross margin on slightly lower but more profitable revenue streams.

Profit from operations at £0.361m (2009: £0.005m) benefited from a £0.050m gain on foreign exchange (2009: £(0.206)m loss)

Revenue was £7.487m, which is £0.189m lower than the same period last year. The small reduction in revenue is caused by the planned reduction in some low margin business allowing greater efficiency savings in staffing and IT overhead costs.

All business units operated profitably and contributed between 22% and 26% of revenue to central group costs.

PCG continues to strengthen and in the first six months of 2010 generated more revenue with lower costs than in the same period in 2009.

Scholarly revenue was lower than in the same period last year, but cost efficiencies have held the contribution at the same level as the prior year.

PT Operations Gross margin has improved over last year, on revenues which are broadly similar (as revenues have moved towards higher margin sales).

Gross Profit has improved by £0.157m (5%) to £3.174m (2009: £3.017m) and Gross margin has improved from 39% to 42%.

Sales and marketing expenses have increased over last year as the sales team has been expanded to deliver increased revenue from our new range of products. Administrative expenses (excluding foreign exchange gains or losses) have remained broadly similar to the same period last year.

The Group’s business cycle has historically resulted in 60% to 70% of profitability being earned in the second half of the year. The Board believes this cycle will be similar in 2010. The Board does not propose the payment of an interim dividend (2009: nil).

Finance costs are slightly higher in the first half than the comparable period in 2009 due to an increased interest rate on the overdraft facility and the convertible loans. The Board expects finance costs to remain at this level for the remainder of the year and then drop as the funding requirement drops from January 2011.

Earnings per share in the first 6 months of the year were 2.69p, a significant improvement from the first half of 2009 when the loss per share was (0.53)p.

Financial position

Net borrowing (cash and cash equivalents and overdraft) has remained similar to borrowing at 30 June 2009 as cash inflow has been used to reduce trade and other payables and tax and social security debts. Payables have been reduced by £0.634m in the first 6 months of 2010. The Group’s financial position is as expected at 30 June 2010 and the forecast for the full year remains unchanged. Group cash benefited from an R&D tax credit in the UK of £0.154m in the six months to 30 June 2010 which was accrued in the accounts to 31 December 2009.

A B Moug
Chief Financial Officer

Condensed Consolidated Interim Statement of Comprehensive Income

	Note	Unaudited Six months ended 30 June 2010 £'000	Unaudited Six months ended 30 June 2009 £'000
Revenue		7,487	7,676
Cost of sales		(4,313)	(4,659)
Gross profit		3,174	3,017
Sales and marketing expenses		(941)	(900)
Administrative expenses		(1,872)	(2,112)
Profit from operations		361	5

Analysis of profit from operations			
Profit before net finance costs, tax, depreciation, amortisation and foreign exchange gains and losses (EBITDA)		471	363
Depreciation		(128)	(110)
Foreign exchange gain / (loss)		50	(206)
Restructuring costs		(32)	(42)
Profit from operations		361	5

Finance costs		(119)	(104)
Profit / (loss) before tax		242	(99)
Tax		(16)	54
Retained profit / (loss) for the period		226	(45)
Other comprehensive income:			
Exchange differences on translating foreign operations		(55)	835
Total comprehensive income for the period		171	790
Profit / (loss) attributable to owners of the parent		226	(45)
Total comprehensive income attributable to owners of the parent		171	790
Basic and diluted profit / (loss) per share – pence	3	2.69p	(0.53)p

Condensed Consolidated Interim Statement of Financial Position

	Note	Unaudited 30 June 2010 £'000	Unaudited 30 June 2009 £'000
Non current assets			
Goodwill		3,737	3,737
Property, plant & equipment		337	330
		4,074	4,067
Current assets			
Trade and other receivables	4	2,823	2,698
Cash and cash equivalents	6	59	349
		2,882	3,047
Total assets		6,956	7,114
Equity			
Share capital		841	841
Merger reserve		11,055	11,055
Reverse Acquisition reserve		(5,228)	(5,228)
Translation reserve		(717)	(142)
Investment in own shares		(4)	(4)
Retained earnings		(8,337)	(9,108)
		(2,390)	(2,586)
Non current liabilities			
Borrowings	5	-	500
Current liabilities			
Trade and other payables	7	6,172	6,231
Borrowings	5	3,136	2,669
Provisions		38	300
		9,346	9,200
Total liabilities		9,346	9,700
Total equity and liabilities		6,956	7,114

Unaudited condensed consolidated interim statement of changes in equity

	Share capital £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Translation reserve £'000	Investment in own shares £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2010	841	11,055	(5,228)	(662)	(4)	(8,563)	(2,561)
Profit for the period	-	-	-	-	-	226	226
Other comprehensive income: Exchange differences on translation of foreign operations	-	-	-	(55)	-	-	(55)
Total comprehensive income for the period	-	-	-	(55)	-	226	171
Balance at 30 June 2010	841	11,055	(5,228)	(717)	(4)	(8,337)	(2,390)

	Share capital £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Translation reserve £'000	Investment in own shares £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2009	841	11,055	(5,228)	(977)	(4)	(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)	(142)	(4)	(9,108)	(2,586)

Condensed Consolidated Interim Statement of Cash Flows

	Note	Unaudited Six months ended 30 June 2010 £'000	Unaudited Six months ended 30 June 2009 £'000
Profit / (loss) before tax		242	(99)
Adjustments for:			
Depreciation		128	110
Interest expense		119	104
Restructuring		32	42
Unrealised foreign exchange differences		(105)	755
Increase in trade and other receivables		73	1,007
Decrease in trade and other payables		(634)	(774)
Decrease in provisions		-	(58)
Cash (used in) / generated from operations		(145)	1,087
Interest paid		(90)	(40)
R&D tax credit received		154	65
Net cash (used in) / generated from operating activities		(81)	1,112
Cash flows from investing activities			
Purchase of property, plant and equipment		(120)	(51)
Net cash used in investing activities		(120)	(51)
Net (decrease) / increase in cash and cash equivalents		(201)	1,061
Cash and cash equivalents at beginning of period	6	(1,376)	(2,381)
Cash & cash equivalents at end of period	6	(1,577)	(1,320)

Notes to the Unaudited Interim Report for the six months ended 30 June 2010

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 8100 Alec Issigonis Way, Oxford Business Park North, Oxford OX4 2HU. The condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 30 July, 2010.

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 2009, 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 c 498 (2) or section 498 (3) of the Companies Act 2006.

2. Basis of preparation

These condensed consolidated interim financial statements are for the six months ended 30 June 2010. 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 2009.

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 2009.

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. 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 period.

For diluted profit 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.

	Six months ended 30 June 2010	Six months ended 30 June 2009
Attributable profit / (loss) (£'000)	226	(45)
Weighted average number of ordinary shares	8,413,610	8,413,610
Profit / (Loss) per share (basic and dilutive) arising from both total and continuing operations	2.69p	(0.53)p

4. Trade and other receivables

Trade and other receivables comprise the following:

	30 June 2010 £'000	30 June 2009 £'000
Trade receivables – gross	2,021	1,614
Less: provision for impairment of trade receivables	(20)	(54)
Trade receivables – net	2,001	1,560
Other receivables	184	262
Prepayments and accrued income	638	876
	2,823	2,698

5. Borrowings

	30 June 2010 £'000	30 June 2009 £'000
Bank overdrafts	1,636	1,669
Convertible loan note	1,500	1,500
	3,136	3,169
On demand or within one year	3,136	2,669
In second year	-	500
In third to fifth years inclusive	-	-
	3,136	3,169
Amount due for settlement after 12 months	-	500

6. Cash and cash equivalents

	30 June 2010 £'000	30 June 2009 £'000
Cash and cash equivalents	59	349
Bank overdraft	(1,636)	(1,669)
Cash and cash equivalents including overdraft	(1,577)	(1,320)

7. Trade and other payables

Trade payables comprise the following:

	30 June 2010 £'000	30 June 2009 £'000
Trade payables	834	1,266
Social security and other taxes	727	778
Other payables	1,317	1,032
Accruals	602	474
Deferred income	2,692	2,681
	6,172	6,231

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, 8100 Alec Issigonis Way, Oxford Business Park North, Oxford OX4 2HU.