26 May 2015

Publishing Technology plc

(“Publishing Technology” or the “Company)

Proposed placing of up to £9 million

Offer to subscribe for up to 833,333 ordinary shares to raise up to £1 million

The Directors of Publishing Technology plc are pleased to confirm that the Company has today announced a proposed placing of up to 7,500,000 Placing Shares at 120 pence (“Issue Price”) per share to raise £9 million for the Company (before expenses) (the “Placing”) and an Offer for Qualifying Shareholders to subscribe for up to 833,333 ordinary shares at 120 pence per share to raise up to £1 million (the “Offer”). The Placing and Offer Price represents a discount of approximately 19 per cent. to the Closing Price on 22 May 2015, being 148 pence per Ordinary Share

The net proceeds of the Placing and Offer will be used to pay down the Company’s existing debt facility with HSBC and will provide additional working capital for the business. In connection with the Placing and Offer, the Company’s outstanding loan note will be repaid and certain directors who provided short term loan finance between August 2014 and March 2015 will be repaid their loans.

The Board considers it important to allow existing Shareholders to participate on the same terms as investors who participated under the Placing and to that end, the Company is providing all Qualifying Shareholders with the opportunity to subscribe at the Issue Price of 120 pence per share for an aggregate of 833,333 Offer Shares, to raise up to £1 million.

The Offer is conditional on the Placing and both are conditional on the passing of the Resolutions at the General Meeting. A circular relating to the Placing and Offer and convening a General Meeting to approve to the resolutions relating to the Placing and Offer will be sent to shareholders today.

Shareholders should be aware that, if the Resolutions are not approved at the General Meeting, the net proceeds of the Placing and Offer will not be received by the Company and therefore the Company would need to explore alternative financing arrangements to ensure it has sufficient working capital.

Publishing Technology

Publishing Technology is a global provider of enterprise software and consulting to blue chip customers. The company is core to the publishing industry in the U.S.A and Europe, with a presence in São Paulo, Beijing, Sydney and New Delhi. Publishing Technology has a fully developed product set with new and expanded market opportunities, and a long-term recurring revenue model. The company counts McGraw Hill Education, Elsevier, BioOne Research, American Institute of Physics (AIP), HarperCollins, Penguin Books, and Cambridge University Press among more than four hundred clients. Publishing Technology’s software suite tracks the full publishing revenue cycle, including contracts management, royalties, rights, permissions, digital and print distribution, e-commerce, access and entitlement and content management.

The Directors believe that following investment of £20 million into its software to date, the Company is now in a strong position for rapid expansion. The current order book is robust, the pipeline is growing in the U.S.A and Europe, and the Directors believe that the company’s joint venture is fast becoming a leading publishing solutions provider in China. The Directors also believe the company’s core market is currently under-penetrated for Enterprise Resource Planning (“ERP”) solutions. Publishing Technology has developed *advance*, a modular-based ERP solution with support for digital content management, to replace Vista, the original ERP publishing solution. The Directors believe that there is significant potential for its Partnership and Value-Added Reseller (VAR) program, offering implementation, sales and marketing leverage in a proven packaged software model. The management team see prime opportunity to expand into other media segments with VARs; common publishing practices exist in the newspaper, magazine, gaming and broadcast market sectors.

Reasons for the Placing and use of proceeds

The Placing will raise approximately £8.5m, net of expenses. As detailed above, the Company will utilise this to pay down debts accrued during the product build phase of its growth cycle; £1.5 million will pay down a loan note inherited from Vista International Limited on the reverse takeover of Ingenta plc in 2007, £1.25 million will pay down short term Director's loans, and the remainder will pay down bank overdrafts and provide positive cash balances for working capital to facilitate growth. On 21 January 2015 the Company announced that it had been discussing a minority investment in the Company by an overseas party. However, following careful consideration, the Board now believes that it is in the best interests of the Company to undertake the Placing instead. The Company's existing overdraft facility is due to be refinanced at the end of June 2015 and the Directors believe that the Placing offers the Company and shareholders a stable platform for growth with a balance sheet free from any debt.

Directors' Participation

Certain of the directors intend to participate in the Placing for an aggregate amount of £2.7 million following publication of the Company's annual report and accounts for the year ended 31 December 2014. The annual report and accounts will be made available on the Company's website this morning.

Repayment of Loan Note

The loan note was inherited from Vista International Limited on the reverse takeover of Ingenta plc in February 2007. It is held by a trust of which Martyn Rose is a trustee. The loan note was originally a convertible loan note for £2.5 million. £1 million of the loan note was converted at the time of the merger and during a subsequent raising in August 2008. The remaining £1.5 million loan note is no longer convertible and carries an interest rate of 12% per annum. The loan note and any accrued interest will be repaid on completion of the Placing and Offer.

Repayment of Directors' Loan

On 25 November 2015 the Company announced that that it had entered into unsecured loan note instruments for, in aggregate, up to a maximum of £1.25 million from Martyn Rose, Alan Moug, and Mark Rowse. Following receipt of the proceeds of the Placing these loans will be repaid in full.

Results

The results for the financial period ended 31 December 2014 were also released today. In summary, Publishing Technology achieved total revenues of £14.4 million, 76% of which were recurring revenue streams, including multi-year contracts and managed services; core products such as Vista were highly profitable. The Company made after-tax losses of £3.6 million, compared to profits of £0.9 million the previous year. This loss was primarily due to a realignment of revenue and a provision for research and development costs which brings future losses into the current year, both of which relate to an onerous contract, as well as additional development costs incurred in the year. The Company retains important intellectual property from the aforementioned contract and believes that the losses have now been fully absorbed and will not negatively affect future years.

Current trading

Despite additional investment during the year to 31 December 2014 which was a transition year, the Board have restructured the business for future scalability to achieve a return on the substantial investments in advance and pub2web.

The management team has seen considerable change with Michael Cairns taking over as CEO in April 2014 and the hiring of new skills required especially in the positions of CTO and Global Projects Director. The Board are confident that, moving forward, they have built the right team to ensure the success of the strategy.

The Board believe the business has made good progress towards the strategy to date with products and services clearly understood, and the right team to deliver growth in revenue and profit across the business.

Trading in the first few months of 2015 is in line with management's expectations with a robust order book for the new product set.

The Placing and the Placing Agreement

The Company proposes to raise approximately £9 million (before expenses) through the issue, conditional on Admission, of the Placing Shares at the Issue Price through Cenkos Securities plc. The Issue Price represents a discount of 19% to the closing middle market price of 148p per Ordinary Share on 22 May 2015, being the last practicable date prior to the announcement of the Placing.

In connection with the Placing, the Company and Cenkos have entered into the Placing Agreement pursuant to which and conditional upon, inter alia, Admission of the Placing Shares taking place on or before 15 June 2015 (or such later time and date as the Company and Cenkos may agree, being no later than 29 June 2015) Cenkos has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares at the Issue Price. The Placing is not underwritten.

The Placing Agreement contains customary warranties and an indemnity from the Company in favour of Cenkos together with provisions which enable Cenkos to terminate the Placing Agreement in certain circumstances prior to Admission (as applicable), including where any warranties are found to be untrue, inaccurate or misleading in any material respect or in the event of a material adverse change in the financial position or prospects of the Group in the context of the Placing or Admission.

The Offer

The Board considers it important that Qualifying Shareholders have an opportunity to participate on the same terms as investors in the Placing and Subscription. Qualifying Shareholders can subscribe for, in aggregate, up to £1.0 million, the Offer Maximum. The Directors may use their absolute discretion to scale back applications under the Offer as they see fit. It is expected that dealing in the Offer Shares issued pursuant to the Offer will commence on or around 15 June 2015. The Offer is not being underwritten. The Offer and the Placing are interconditional and both are conditional on the passing of the Resolutions at the General Meeting.

In order to apply for Offer Shares, Qualifying Shareholders should complete the Application Form in accordance with the instructions to be set out in a circular to be sent to shareholders today.

The Placing and Offer Shares will represent approximately 49.8% of the Company's issued ordinary share capital immediately following Admission of the New Ordinary Shares (assuming full take up under the Offer).

Dealings and Settlement on AIM

The Offer and Placing Shares will be allotted and issued fully paid and will, on issue, rank pari passu with the existing Ordinary Shares, including the right to receive, in full, all dividends and other distributions thereafter declared, made or paid after the date of issue together with all rights attaching to them and free from all liens, charges and encumbrances of any kind. Application will be made to the London Stock Exchange for the Offer Shares to be admitted to trading on AIM. Admission of the Offer Shares to trading on AIM is expected to occur at 8.00 a.m. on 15 June 2015.

Contacts

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