# Ingenta plc interim results

Ingenta plc (AIM: PTO), ("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 2016.

The Board believes the business is on track to meet market expectations for the year.

**Financial Key Points**

- Group revenues £7.57m (2015: £7.59m)
- Costs before tax £6.8m (2015: £8.5m)
- EBITDA £345K (2015: loss £(320)K)
- Profit before tax £368K (2015: loss before tax £(1.15)m)
- Profit per share 2.08p (2015: loss per share (6.76)p)
- Cash at 30 June 2016: £1.3m (as at 30 December 2015: £2.1m)

**Operational Key Points**

- Restructuring in second half of 2015 reduced the cost base by £1.6m year on year.
- Signed 3 new contracts in 2016 across Ingenta CMS, Ingenta CMS GO! and Ingenta Commercial Contracts and Rights worth an aggregate of £1.5m, contrasting with no new wins in 2015.
- Business returned to profitability at both EBITDA and pre-tax levels.
- Cash consumption significantly reduced as working capital cycle normalised

**Post Balance Sheet Events**

- Agreed to acquire 5 fifteen Limited to extend the Group's product set into advertising.
  - The acquisition is expected to return positive EBITDA in 2016 and 2017 and be cash generative and earnings enhancing from 2017.
  - Details of the acquisition are contained in a separate market announcement.
- Two new Non-Executive Directors to be appointed to the Board.

**David Montgomery, Chief Executive of Ingenta plc, commented:**

Since I became Chief Executive Officer in September 2015 we have moved decisively to put Ingenta on to a stronger footing. Within weeks we removed £1.6m of annual costs and reorganised some key staff and management positions within the Group while at the same time maintaining our momentum to deliver on existing contracts and make new sales.

I am delighted that at the half year we have returned the Group to profitability with a £0.7m improvement in EBITDA and a £1.5m improvement in profit before tax. We have also improved our sales performance with three new wins, and significantly reduced our cash outflows which now reflect the normal trading pattern across the year.

Furthermore, we have announced today the acquisition of 5 fifteen which not only is a business I know well, but which I also view from both a market expansion and technology standpoint as an important strategic step.

Our priorities now focus on building our sales pipeline, fully exploiting the potential that 5 fifteen gives us, continuing to control our costs and building further on our profitability.

In recognition of our expanding horizons and to bring greater depth of experience to the management of the business, I am delighted to welcome Max Royde and Henrik Holmström to the Board as Non-Executive Directors with effect from the beginning of August.

This has been a challenging but exciting time during which I believe the balance and momentum of the business has been fundamentally shifted and the true potential of the Company to become a growing and profitable world class software and services provider to the content industries has begun to be demonstrated. I look forward to the future with confidence.

For further information please contact:

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| Ingenta plc<br>David Montgomery / Alan Moug | Tel: 01865 397 800 |
| Cenkos Securities plc<br>Nicholas Wells / Elizabeth Bowman | Tel: 0207 397 8900 |

**Chief executive's statement**

I am pleased to report our first half results for the year to 31 December 2016. The first 6 months of the financial year are marked by stable revenue and a significantly reduced cost base leading to a return to profitability for the Group.

Our strategy has been to restore profitability, move the business quickly to cash generation and then use our unique position within the media industry to acquire complimentary businesses to strengthen the Group for the future.

I am therefore pleased to announce today the purchase of 5 fifteen Limited, a software development company which owns the 'AdDEPOT' advertising workflow software for publishers. The addition of the 5 fifteen products to the Ingenta stable enhances our offering to existing customers and extends the Group's reach into the wider media market including newspapers and magazines with a cloud based software as a service (SaaS) model.

After an initial down payment the consideration for 5 fifteen is staggered to reflect its future performance for the remainder of 2016 and 2017. The purchase is expected to be immediately earnings enhancing and expected to generate a positive cash flow from 2017 after a short term working capital requirement in 2016.

The purchase will be satisfied in cash, and the Directors are please to say that we are undertaking a subscription with institutional investors through the issue of 388,450 new ordinary 10p shares at 130p. In addition, Directors Martyn Rose and Neil Kirton intend to subscribe £275,015 in total for new shares on the same basis. The subscription is within the authority granted by resolutions passed at our AGM in May and I am delighted that a number of our existing shareholders have taken this opportunity to acquire more stock.

A more detailed announcement regarding this acquisition is being made separately today.

**Ingenta business**

Revenue for the first half of 2016 has improved compared to the same period last year for Ingenta CMS (previously known as pub2web) and Ingenta Commercial (previously known as advance), our enterprise level replacement for the Vista product suite. The uplift in Ingenta Commercial in particular has more than covered the anticipated reduction in Vista revenue.

In the last 6 months, we have launched Ingenta CMS GO!, an out of the box content management solution which uses standard functionality to roll out a fast and efficient solution for mid- sized publishers. We have already had some success in selling the concept with 2 ongoing implementations and a number of other sales opportunities in the pipeline.

We intend to roll out the concept of a GO! implementation which has no development or bespoke elements to the Ingenta Commercial suite in the next few months. Ingenta Commercial has four ongoing projects currently and we expect to go live on two of these around the end of 2016, with the others maintaining time based revenues into 2017.

We have closed three new deals in 2016 so far aggregating around £1.5m of future revenue. These include:

- signing a new multi-year deal with the OECD to build their next generation web presence on Ingenta CMS which will allow, not just the OECD, but also other International Government Organisations, to host their content with their own branding and domain through the site;
- an Ingenta CMS GO! for Sabinet, a South African publisher; and,
- an Ingenta Commercial contract and rights sale to SAGE publishers.

This contrasts with no new deals in 2015.

Vista still remains almost 50% of the Group's revenue and produces a 50% profit before tax margin and will remain core to the Group's activities for a number of years to come.

Elsewhere there was a small reduction in the first half of 2016 against the same period in 2015 for PCG and Ingenta Connect revenues, with Ingenta Connect expected to grow into 2017 and with PCG expected to recover in the second half with 2016 revenue expected to exceed 2015.

Ingenta Connect is about to launch ‘Ingenta Open’ an online portal for open access data. This has so far had a good response among customers and will fully launch in October 2016. In addition, from the end of Q3, Ingenta Connect will charge libraries for previously free access services under a Library Memberships scheme. This is expected to improve the Ingenta Connect results in 2017 and bring this division back to growth.

PCG has undergone significant change in 2016, with a re-emphasis on the elements of the business which earn the highest margin, concentrating on the sales representation parts of the business model and has been PCG win new clients across US, Latin America and India.

**Financial review**

First half revenue was stable from the first half of 2015, with the expected decrease in revenue from the Vista product being replaced by revenue from the new Ingenta Commercial product suite. Other revenues remained relatively stable.

The cost base before interest, tax and foreign exchange has reduced by £1.6m on an annualised basis.

The cost base realignment has returned the Group to profit with a first half Profit before tax of £368K.

**Cash Flow**

Cash reduced by £0.8m in the 6 months to 30 June 2016 as part of the expected cash flow. The working capital cash cycle is now normalising after 18 months of restructuring and amortising provisions associated with the beta implementations of Ingenta Commercial.

Compared to the same period in 2015, working capital cash movements are similar, the main cash variances are the differential on the trading account and the capital raising in June 2015. Interest paid in the first half of 2016 was £13K (2015: £331K).

As in the prior year, the R&D tax credit of £405K (2015: £467K) 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 2016 £'000 | Unaudited Six months ended 30 June 2015 £'000 |
|---|---|---|---|
| Group revenue | | 7,573 | 7,587 |
| Less: revenue from equity accounted investment | 4 | 398 | 300 |
| Group revenue excluding equity accounted investment | | 7,175 | 7,287 |
| Cost of sales | | (4,614) | (5,119) |
| Gross profit | | 2,561 | 2,168 |
| Sales and marketing expenses | | (665) | (835) |
| Administrative expenses | | (1,555) | (2,214) |
| Profit / (loss) from operations | | 341 | (881) |
| Share of profit from equity accounted investment | 4 | 40 | 20 |
| Profit / (loss) from operations including equity accounted investment | | 381 | (861) |

| Analysis of profit / (loss) from operations | | | |
|---|---|---|---|
| Profit / (loss) before net finance costs, tax, depreciation and foreign exchange gains and losses (EBITDA) | | 345 | (320) |
| Depreciation | | (90) | (124) |
| Foreign exchange gain / (loss) | | 177 | (117) |
| Restructuring costs | | (51) | (300) |
| Profit / (loss) from operations | | 381 | (861) |

| | Note | Unaudited Six months ended 30 June 2016 £'000 | Unaudited Six months ended 30 June 2015 £'000 |
|---|---|---|---|
| Finance costs | | (13) | (290) |
| Profit / (loss) before tax | | 368 | (1,151) |
| Tax | | (2) | 49 |
| Retained profit / (loss) for the period | | 366 | (1,102) |
| Other comprehensive expenses which will be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translating foreign operations | | (27) | (1) |
| Total comprehensive income / (expense) for the period | | 339 | (1,103) |
| Profit / (loss) attributable to owners of the parent | | 366 | (1,102) |
| Total comprehensive income / (expense) attributable to owners of the parent | | 339 | (1,103) |
| Basic profit / (loss) per share – pence | 5 | 2.08p | (6.76)p |
| Diluted profit / (loss) per share – pence | 5 | 2.01p | (6.76)p |

**Condensed Consolidated Interim Statement of Financial Position**

| | Note | Unaudited 30 June 2016 £'000 | Unaudited 30 June 2015 £'000 |
|---|---|---|---|
| Non current assets | | | |
| Goodwill | | 3,737 | 3,737 |
| Property, plant & equipment | | 213 | 333 |
| Investments accounted for using the equity method | 4 | 238 | 318 |
| | | 4,188 | 4,388 |
| Current assets | | | |
| Trade and other receivables | 6 | 3,711 | 3,750 |
| Cash and cash equivalents | 7 | 1,293 | 2,606 |
| | | 5,004 | 6,356 |
| Total assets | | 9,192 | 10,744 |
| Equity | | | |
| Share capital | | 1,632 | 1,632 |
| Share Premium | | 8,294 | 8,291 |
| Merger reserve | | 11,055 | 11,055 |
| Reverse Acquisition reserve | | (5,228) | (5,228) |
| Translation reserve | | (914) | (905) |
| Investment in own shares | | (1) | (6) |
| Share option reserve | | 19 | - |
| Retained earnings | | (10,873) | (10,909) |
| | | 3,984 | 3,930 |
| Current liabilities | | | |
| Trade and other payables | 8 | 5,208 | 6,814 |
| | | 5,208 | 6,814 |
| Total liabilities | | 5,208 | 6,814 |
| Total equity and liabilities | | 9,192 | 10,744 |

## 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 2016 | 1,632 | 8,294 | 11,055 | (5,228) | (887) | (1) | - | (11,239) | 3,626 |
| Profit for the period | - | - | - | - | - | - | | 366 | 366 |
| Share based payment expense | - | - | - | - | - | - | 19 | - | 19 |
| 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 |

| | Share capital | Share premium | Merger reserve | Reverse acquisition reserve | Translation reserve | Investment in own shares | Retained Earnings | Total |
|---|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 January 2015 | 841 | - | 11,055 | (5,228) | (904) | (6) | (9,807) | (4,049) |
| Loss for the period | - | - | - | - | - | - | (1,102) | (1,102) |
| Share issue | 791 | 8,291 | - | - | - | - | - | 9,082 |
| Other comprehensive income: | | | | | | | | |
| Exchange differences on translation of foreign operations | - | - | - | - | (1) | - | - | (1) |
| Total comprehensive expense for the period | 791 | 8,291 | - | - | (1) | - | (1,102) | 7,979 |
| Balance at 30 June 2015 | 1,632 | 8,291 | 11,055 | (5,228) | (905) | (6) | (10,909) | 3,930 |

**Condensed Consolidated Interim Statement of Cash Flows**

| | Note | Unaudited Six months ended 30 June 2016 | Unaudited Six months ended 30 June 2015 |
|---|---|---|---|
| | | £'000 | £'000 |
| Profit / (loss) before tax | | 368 | (1,151) |
| Adjustments for: | | | |
| Share of profit from equity accounted investment | 4 | (40) | (20) |
| Depreciation | | 90 | 124 |
| Share based payment expense | | 19 | - |
| Interest expense | | 13 | 291 |
| Unrealised foreign exchange differences | | (27) | (1) |
| Decrease in trade and other receivables | | 961 | 1,064 |
| Decrease in trade and other payables | | (2,056) | (2,081) |
| Cash (outflow) from operations | | (672) | (1,774) |
| Tax Paid | | (2) | (1) |
| Net cash (outflow) from operating activities | | (674) | (1,775) |
| Cash flows from financing activities | | | |
| Share issue | | - | 9,082 |
| Payment of finance leases | | (90) | (86) |
| Loans received | | - | 400 |
| Loans repaid | | - | (2,950) |
| Interest paid | | (13) | (331) |
| Net cash used in financing activities | | (103) | 6,115 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (7) | (6) |
| Net cash used in investing activities | | (7) | (6) |
| Net (decrease) / increase in cash and cash equivalents | | (784) | 4,334 |
| Cash and cash equivalents at beginning of period | | 2,077 | (1,728) |
| Cash & cash equivalents at end of period | 7 | 1,293 | 2,606 |

**Notes to the Unaudited Interim Report for the six months ended 30 June 2016**

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 28 July, 2016.

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 2015, 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 2016. 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 2015.

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 2015.

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. Share based payment

In January 2016, 526,000 share options were granted to senior executives under the Company's EMI (Enterprise Management Incentive) scheme. The exercise price of the options is £1.27, equal to the market price on the date of grant. The options vest in 3 equal tranches over 3 years on condition that the Group's reported year end EBITDA level meets market expectation in each year. The fair value at grant date is estimated using the Black Scholes pricing model, taking into account the terms and conditions upon which the options were granted. There is no cash settlement of options. The fair value of options granted during the 6 months to 30 June 2016 was estimated using the following assumptions:

| | |
|---|---|
| Expected volatility | 21.9% |
| Risk free interest rate | 0.5% |
| Closing share price at 30 June 2016 | £1.225 |

The weighted average fair value of options granted was £147K

For the 6 months ended 30 June 2016 the Group has recognised £19,174 of share based payment expense in the income statement (2015: £0)

**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 2016 | 30 June 2015 |
|---|---|---|
| | £'000 | £'000 |
| Assets | 1,522 | 1,602 |
| Liabilities | 958 | 993 |

| | Six months ended 30 June 2016 | Six months ended 30 June 2015 |
|---|---|---|
| | £'000 | £'000 |
| Revenues | 812 | 600 |
| Profit | 81 | 40 |
| Profit attributable to the Group | 40 | 20 |

Changes in equity accounted investment

| | Six months ended 30 June 2016 | Six months ended 30 June 2015 |
|---|---|---|
| | £'000 | £'000 |
| Investment Book Value as at 1 January | 198 | 298 |
| Profit attributable to the Group | 40 | 20 |
| Investment Book Value as at 30 June | 238 | 318 |

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 2016 | Six months ended 30 June 2015 |
|---|---|---|
| Attributable profit / (loss) (£'000) | 339 | (1,103) |
| Weighted average number of ordinary basic shares (basic) | 16,319,609 | 16,319,609 |
| Weighted average number of ordinary shares (diluted) | 16,845,609 | 16,319,609 |
| Profit / (loss) per share (basic) arising from both total and continuing operations | 2.08p | (6.76)p |
| Profit / (loss) per share (dilutive) arising from both total and continuing operations | 2.01p | (6.76)p |

**6.** Trade and other receivables

Trade and other receivables comprise the following:

| | 30 June 2016 £'000 | 30 June 2015 £'000 |
|---|---|---|
| Trade receivables – gross | 2,322 | 2,225 |
| Less: provision for impairment of trade receivables | (21) | (5) |
| Trade receivables – net | 2,301 | 2,220 |
| Other receivables | 124 | 176 |
| Prepayments and accrued income | 881 | 904 |
| Research and development tax credit | 405 | 450 |
| | 3,711 | 3,750 |

**7.** Cash and cash equivalents

| | 30 June 2016<br>£'000 | 30 June 2015<br>£'000 |
|---|---|---|
| Cash and cash equivalents | 6,528 | 8,116 |
| Bank overdraft | (5,235) | (5,510) |
| Cash and cash equivalents including overdraft | 1,293 | (2,606) |

**8.** Trade and other payables

Trade payables comprise the following:

| | 30 June 2016<br>£'000 | 30 June 2015<br>£'000 |
|---|---|---|
| Trade payables | 589 | 946 |
| Social security and other taxes | 293 | 343 |
| Other payables | 1,265 | 1,532 |
| Accruals | 796 | 1,092 |
| Deferred income | 2,265 | 2,901 |
| | 5,208 | 6,814 |

**9.** Contingencies and commitments

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

**10.** Post balance sheet events

On 29 July 2016, the Company agreed to acquire 5 fifteen Limited, a leading supplier of digital advertising solutions to the magazine and newspaper industry for a consideration of up to £990K.

At the same time the Company announced a direct subscription with certain institutional investors and Directors of the Company. The subscription will raise up to £780K through the issue of 600,000 new ordinary shares of 10 pence each at a subscription price of 130 pence per share.

Details of the acquisition and the subscription are contained in a separate market announcement.

There were no other 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.