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, is pleased to announce its unaudited interim results for the six months to 30 June 2019.

Financial Key Points

- Trading in line with Board expectations and on target to deliver materially improved full year results
- Group revenues of £5.3m (2018: £6.4m) with recurring revenue at 79% (2018: 75%)
- Adjusted EBITDA* of £0.3m (2018: £0.5m)
- Cash from operations up to £1.0m (2018: £0.5m)
- Cash balances increased from £1.3m at 31 December 2018 to £1.8m at 30 June 2019
- Net cash generation of £0.5m (2018: £0.1m outflow) after dividend payments of £0.3m (2018: £0.3m) and exceptional restructuring costs of £0.3m (2018: £0.5m)

Operational Key Points

- Significant Commercial Order to Cash customer go live in 2019
- Four new Commercial customer wins announced during 2019, with combined implementation revenues of £0.7m and annual fees of £0.1m
- Commercial product offering expanded from publishing into the wider media and music industries
- All software implementations remain on track
- Company profile substantially de-risked with an ongoing annual cost base of approximately £9.5m
- Combined direct, sales and administration cost base reduced by over £3m on an annualised basis
- Good sales pipeline growth in both traditional markets and the broader media industry

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

Martyn Rose, Chairman of Ingenta plc, commented:

"I am pleased to report on the first half results for the Group and to outline the significant operational progress that has been made since the beginning of the year. As previously announced, Ingenta has been transformed into a unified software company providing a coherent set of products and services underpinned by a responsive management structure better equipped to serve and adapt to our customers' changing needs."

"Our commercial product offering is now gaining real momentum, in particular online content delivery solutions and our ability to deal with the ever-increasing complexity of rights and royalty management. In this area, we have had success on a number of fronts. First, our suite of commercial products went live with a major international fulfilment and distribution customer, setting a benchmark for the applicability of our solutions in the modern publishing world."

"Second, we have won four new customer contracts for our commercial products this year, one of which operates in the wider media sector, which is a positive endorsement of the suitability of our solutions outside traditional publishing markets. From a financial perspective, these new customer wins will start to deliver revenue in the second half of the year."

“On an operational level, I am encouraged to see that the fundamental changes we made to the business are delivering tangible benefits. Notably, the business generated £1.0m of operating cashflows in the period, resulting in an overall cash increase of £0.5m after payment of dividends and restructuring costs.”

“The Board remains confident of achieving a material improvement in the trading performance of the Group for the remainder of the year and beyond, as the benefits of the recently announced sales wins and restructuring begin to be recognised in our reported results. Further, the Board is proposing to exercise its share buyback authority, as approved at the most recent AGM.”

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Nicholas Wells / Harry Hargreaves

Financial Review

From the 1st January 2019, the Group adopted IFRS16 'Leases' and applied the full retrospective approach to transition permitted by the standard in which prior period amounts are restated as if the standard had been in effect at lease commencement. Further details are provided in note 2 of these interim results.

Statement of Comprehensive Income

Group revenue has declined to £5.3m (2018: £6.4m) compared to the same period last year which is largely the result of implementation projects coming to an end. The new projects won in 2019 will start to deliver revenue from the second half of the year. Gross profit margins have increased from 38.8% to 39.6% as the Group's restructuring efforts start to deliver results. In all, the Group's direct, sales and administrative cost base has declined by over £3m on an annualised basis and includes £0.3m (2018: £0.5m) of additional restructuring costs.

Taxation costs have increased as a result of changes in US state tax laws impacting on the 2018 and 2019 calculations. In addition, the estimated 2018 research and development tax credit receipt due in the second half of the year has been revised downwards by £0.1m to £0.3m (2018: £0.2m).

Under IFRS16, lease costs are now charged to the income statement as depreciation and interest costs. The prior period depreciation comparative has been restated to include £61k of depreciation and £11k of interest. Further details are included in note 2 of these interim results.

Although the adjusted EBITDA declined to £0.3m (2018: £0.5m restated), the loss from operations, which includes £0.3m (2018: £0.5m) of restructuring costs, improved to £0.2m (2018: £0.5m loss). The Group expects to be profitable in the second half of the year as the new sales wins, combined with the lower cost base, flow through into the reported results.

Statement of Financial Position

Adoption of IFRS16 'Leases' has led to the groups operating leases being reported as a right to use asset within property, plant and equipment along with a lease creditor within liabilities. These reporting standard changes have been reflected in the comparative disclosures.

Statement of Cash Flows

The Group's cash inflow from operations has increased substantially to £1m (2018: £0.5m) as the restructuring efficiencies mentioned previously continue to deliver results. At the half year, the Group's cash position increased by £0.5m (2018: £0.1m reduction) to a total of £1.8m (2018: £2m) and includes payment of the final 2018 dividend of £0.3m (2018: £0.3m).

As in the prior year, the R&D tax credit of £0.3m (2018: £0.2m) is due for receipt in the second half of the year and did not have an impact on the first half cash flow.

Scott Winner
Chief Executive Officer

Condensed Consolidated Interim Statement of Comprehensive Income

	Note	Unaudited Six months ended 30 June 2019 £'000	Restated Unaudited Six months ended 30 June 2018 £'000
Group revenue		5,250	6,404
Cost of sales		(3,171)	(3,921)
Gross profit		2,079	2,483
Sales and marketing expenses		(454)	(602)
Administrative expenses		(1,824)	(2,445)
Loss from operations		(199)	(564)
Finance costs		(11)	(17)
Loss before tax		(210)	(581)
Tax		(92)	(1)
Retained loss for the period		(302)	(582)
Other comprehensive expenses which will be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(12)	(25)
Total comprehensive loss for the period		(314)	(607)
Basic loss per share – pence	4	(1.86)	(3.59)
Diluted loss per share – pence	4	(1.86)	(3.59)

Analysis of (loss) / profit from operations:

Profit before net finance costs, tax, depreciation and amortisation, restructuring costs and foreign exchange gains and losses (adjusted EBITDA)	346	534
Depreciation	(186)	(173)
Impairment of intangibles	-	(320)
Foreign exchange (loss)	(12)	(68)
Restructuring costs	(347)	(537)
Loss from operations	(199)	(564)

Condensed Consolidated Interim Statement of Financial Position

	Note	Unaudited 30 June 2019 £'000	Restated Unaudited 30 June 2018 £'000
Non-current assets			
Goodwill	3	4,324	4,900
Other intangible assets	3	208	308
Property, plant & equipment		544	647
Investments accounted for using the equity method		-	-
		5,076	5,855
Current assets			
Trade and other receivables	5	2,431	2,767
Research and development tax credit receivable		282	174
Cash and cash equivalents		1,809	2,051
		4,522	4,992
Total assets		9,598	10,847
Equity			
Share capital		1,692	1,692
Share premium		-	-
Merger reserve		11,055	11,055
Reverse acquisition reserve		(5,228)	(5,228)
Translation reserve		(888)	(870)
Share option reserve		18	51
Retained earnings		(2,031)	(1,261)
		4,618	5,439
Non-current liabilities			
Deferred tax liability		42	62
Finance leases		265	445
		307	507
Current liabilities			
Trade and other payables	6	2,290	3,082
Deferred income		2,383	1,819
		4,673	4,901
Total equity and liabilities		9,598	10,847

Unaudited Condensed Consolidated Interim Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Translation reserve £'000	Share option reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2019	1,692	-	11,055	(5,228)	(876)	16	(1,475)	5,184
Dividends paid	-	-	-	-	-	-	(254)	(254)
Transactions with owners	-	-	-	-	-		(254)	(254)
Loss for the period	-	-	-	-	-	-	(302)	(302)
Share based payment expense						2		2
Other comprehensive income:								
Exchange differences on translation of foreign operations	-	-	-	-	(12)	-	-	(12)
Total comprehensive income / (expense) for the period	-	-	-	-	(12)	2	(302)	(312)
Balance at 30 June 2019	1,692	-	11,055	(5,228)	(888)	18	(2,031)	4,618

	Share capital £'000	Share premium £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Translation reserve £'000	Share option reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2018	1,692	8,999	11,055	(5,228)	(845)	51	(9,424)	6,300
Dividends paid	-	-	-	-	-	-	(254)	(254)
Share premium reduction	-	(8,999)	-	-	-		8,999	-
Transactions with owners	-	(8,999)	-	-	-		8,745	(254)
Loss for the period	-	-	-	-	-	-	(582)	(582)
Other comprehensive income:								
Exchange differences on translation of foreign operations	-	-	-	-	(25)	-	-	(25)
Total comprehensive income / (expense) for the period	-	-	-	-	(25)	-	(582)	(607)
Balance at 30 June 2018	1,692	-	11,055	(5,228)	(870)	51	(1,261)	5,439

Condensed Consolidated Interim Statement of Cash Flows

	Note	Unaudited Six months ended 30 June 2019	Restated Unaudited Six months ended 30 June 2018
		£'000	£'000
Loss before tax		(210)	(581)
Adjustments for:			
Depreciation		186	173
Impairment of intangibles		-	320
Share based payment expense		2	-
Interest expense		11	17
Unrealised foreign exchange differences		(12)	(25)
Decrease in trade and other receivables		2,196	1,927
Decrease in trade and other payables		(1,220)	(1,287)
Cash inflow from operations		953	544
Tax Paid		(38)	(1)
Net cash inflow from operating activities		915	543
Cash flows from financing activities			
Dividends paid		(254)	(254)
Payment of leases		(157)	(103)
Interest paid		(11)	(17)
Net cash used in financing activities		(422)	(374)
Cash flows from investing activities			
Acquisition of subsidiaries, contingent consideration		-	(248)
Purchase of property, plant and equipment		(7)	(1)
Net cash used in investing activities		(7)	(249)
Net increase / (decrease) in cash and cash equivalents		486	(80)
Cash and cash equivalents at beginning of period		1,323	2,131
Cash & cash equivalents at end of period		1,809	2,051

Notes to the Unaudited Interim Report for the six months ended 30 June 2019

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 00837205 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 23 September 2019.

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 2018, 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 2019. 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 2018.

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 2018 with the exception of IFRS16 'leases' which was adopted on the 1st January 2019 and detailed further below.

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.

New Standards adopted as at 1 January 2019

IFRS 16 'Leases' provides a new model for lessee accounting in which all leases, other than short-term and small-ticket-item leases, will be accounted for by the recognition on the balance sheet of a right-to-use asset and a lease liability, and the subsequent amortisation of the right-to use asset over the lease term. Ingenta has adopted IFRS 16 using the full retrospective approach to transition permitted by the standard in which prior period amounts are restated as if the standard had been in effect at lease commencement. At lease inception, a right to use asset is created along with a lease liability which represents the net present value of the expected lease payments. The presentation and timing of the recognition of charges in the income statement has changed as the straight line operating lease costs reported under IAS17 have been replaced by depreciation of a right to use asset and interest charges on the lease liability. A summary of the changes is shown below:

Period	Right of use asset NBV at period end £’000	Lease liability at period end £’000	Depreciation £’000	Interest £’000	Lease payments £’000
2014	853	853	-	-	-
2015	731	886	122	32	0
2016	609	782	122	32	136
2017	487	628	122	27	181
2018	366	468	122	21	181
2019	244	303	122	15	181
2020	122	177	122	10	136
2021	-	-	122	4	181
H1 2018	427	550	61	11	90
H1 2019	305	387	61	8	90

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 2018.

4. 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 2019	Six months ended 30 June 2018
Attributable loss (£’000)	(314)	(607)
Weighted average number of ordinary basic shares (basic)	16,919,609	16,919,609
Weighted average number of ordinary shares (diluted)	17,005,942	17,191,942
Loss per share (basic) arising from both total and continuing operations	(1.86)p	(3.59)p
Loss per share (dilutive) arising from both total and continuing operations	(1.86)p	(3.59)p

5. Trade and other receivables

Trade and other receivables comprise the following:

	30 June 2019 £'000	30 June 2018 £'000
Trade receivables – gross	1,610	1,918
Less: provision for impairment of trade receivables	(68)	(31)
Trade receivables – net	1,542	1,887
Other receivables	135	115
Prepayments and accrued income	754	765
	2,431	2,767

6. Trade and other payables

Trade payables comprise the following:

	30 June 2019 £'000	30 June 2018 £'000
Trade payables	333	475
Social security and other taxes	239	344
Other payables	1,311	1,480
Accruals	407	783
	2,290	3,082

7. Contingencies and commitments

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

8. 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.

9. 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.