

21 September 2020

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 2020.

Financial Key Points

- Group revenues stable at £5.2m (2019: £5.3m)
- 82% of Group revenues recurring in nature (2019: 79%)
- Adjusted EBITDA* up 61.8% to £0.5m (2019: £0.3m)
- Cash from operations up 20.8% to £1.2m (2019: £1.0m)
- Cash balances increased to £3.5m at 30 June 2020 from £2.6m at 31 December 2019
- Net cash generation of £0.9m (2019: £0.5m)
- Earnings per share of 2.09 pence (2019: loss 1.86 pence)
- Proposed interim dividend of 1.5p per share and commencement of share buy-back

Operational Key Points

- Head of Professional Services recruited to drive operational efficiencies
- 3 Commercial deployments nearing completion in 2020 plus a further 2 for Edify
- Vista as a Service gaining traction with 2 deals underway and further opportunities for 2021
- Music and gaming IP management solutions launched with sales opportunities being progressed
- Company profile substantially de-risked with an ongoing annual cost base of £9.5m

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

Martyn Rose, Chairman of Ingenta plc, commented:

"The first half of 2020 has seen unprecedented economic upheaval which has highlighted the need for businesses to be agile and flexible in the way they operate and service their customers. In both these respects, I am encouraged by the performance of the teams in ensuring a seamless transition to remote working whilst ensuring our services remain unaffected. In many ways this vindicates the business transformation process we undertook in prior years to de-risk the operations and improve efficiency.

"Given the economic environment, I am encouraged to report that we have maintained stable revenues for the first half of the year. During the period, the Group have been implementing 6 Commercial projects plus 2 major Vista as a Service migrations, many of which will go live in the second half of the year. As anticipated, new sales activity has been impacted by COVID19 with many businesses delaying major purchasing decisions but I am pleased to report 2 new Edify contracts have been signed this year and we remain hopeful that further deals will be signed in due course.

"The underlying financial performance of the Group has also been transformed with profit before tax increasing to £0.4m from a £0.2m loss in the prior period. Cash generation has also been strong, and the Group reported a cash increase of £0.9m, closing the half year with cash reserves of £3.5m. Given these results, the Board propose an interim dividend of 1.5 pence per share should be payable later in the year and intend to exercise a share buyback program as authorised at our AGM. Further details on these matters will be released in due course."

For further information please contact:

Ingenta plc

Tel: 01865 397 800

Scott Winner / Jon Sheffield

Cenkos Securities plc

Tel: 0207 397 8900

Nicholas Wells / Harry Hargreaves

Financial Review

Trading performance in the first half of the year has been encouraging given the prevailing conditions and uncertainty caused by COVID19. The Group's previously announced restructuring efforts have put the business in a strong position to weather unforeseen economic events whilst continuing to deliver a full complement of services. Against these headwinds, the Group has delivered improved profitability and cash generation as outlined below.

Statement of Comprehensive Income

Group revenue remained stable at £5.2m (2019: £5.3m) as current project work has continued to be delivered by flexible, remote working teams.

Gross profit margins have increased to 43.9% from 39.6% as the Group's new operational structure continues to deliver results. Included within these numbers is £0.7m of expensed research and development costs. Further efficiencies are also evident in the Group's sales and administrative cost base, the latter of which includes non-recurring costs of £0.2m.

Profit from operations has increased by £0.6m to £0.4m (2019: loss £0.2m) and, with negligible interest, taxation and exchange costs, the Group delivered earnings per share of 2.09 pence (2019: loss 1.86 pence).

Statement of Cash Flows and Financial Position

The Group's cash inflow from operations during the period has improved and amounted to £1.2m (2019: £1m). At the half year, the Group's cash position increased by £0.9m (2019: £0.5m) to a total of £3.5m (2019: £1.8m). This reflects the high point in our working capital cycle due to the seasonality of our support and maintenance invoicing. No dividend was paid in the first half of 2020 (2019: £0.3m) as the Group waited to establish the impacts of COVID19 on the business and the wider economy. The Group now intends to pay a dividend of 1.5 pence per share in the second half of the year and an announcement will be made in due course.

Outlook

Ingenta has performed well through the early stages of the COVID19 crisis, supported by our recurring revenues and Commercial contracts secured in 2019 which will continue to benefit the company through 2020 and beyond. Our sales pipeline remains robust, but clearly the rate of conversion has been impacted by the current economic environment. This may temper our growth expectation for the remainder of the year, but we continue to focus on improving efficiency which will help offset any softness in our end markets.

Jon Sheffield
Chief Financial Officer

Condensed Consolidated Interim Statement of Comprehensive Income

		Unaudited Six months ended 30 June 2020 £'000	Restated Unaudited Six months ended 30 June 2019 £'000
Group revenue		5,208	5,250
Cost of sales		(2,923)	(3,171)
Gross profit		2,285	2,079
Sales and marketing expenses		(328)	(454)
Administrative expenses		(1,587)	(1,824)
Profit / (loss) from operations		370	(199)
Finance costs		(8)	(11)
Profit / (loss) before tax		362	(210)
Tax		9	(92)
Retained profit / (loss) for the period		371	(302)
Other comprehensive expenses which will be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(17)	(12)
Total comprehensive profit / loss for the period		354	(314)
Basic profit / loss per share – pence	4	2.09	(1.86)
Diluted profit / loss per share – pence	4	2.01	(1.86)

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)		560	346
Depreciation		(189)	(186)
Impairment of intangibles		-	-
Foreign exchange gain / (loss)		32	(12)
Restructuring costs		(33)	(347)
Profit / (loss) from operations		370	(199)

Condensed Consolidated Interim Statement of Financial Position

	Note	Unaudited 30 June 2020 £'000	Restated Unaudited 30 June 2019 £'000
Non-current assets			
Goodwill	3	2,661	4,324
Other intangible assets	3	108	208
Property, plant & equipment		465	544
		<u>3,234</u>	<u>5,076</u>
Current assets			
Trade and other receivables	5	1,650	2,431
Research and development tax credit receivable		-	282
Cash and cash equivalents		3,537	1,809
		<u>5,187</u>	<u>4,522</u>
Total assets		<u>8,421</u>	<u>9,598</u>
Equity			
Share capital		1,692	1,692
Merger reserve		11,055	11,055
Reverse acquisition reserve		(5,228)	(5,228)
Translation reserve		(897)	(888)
Share option reserve		42	18
Retained earnings		(2,760)	(2,031)
		<u>3,904</u>	<u>4,618</u>
Non-current liabilities			
Deferred tax liability		22	42
Leases		75	265
		<u>97</u>	<u>307</u>
Current liabilities			
Trade and other payables	6	1,997	2,290
Deferred income		2,423	2,383
		<u>4,420</u>	<u>4,673</u>
Total equity and liabilities		<u>8,421</u>	<u>9,598</u>

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 2020	1,692	-	11,055	(5,228)	(880)	23	(3,131)	3,531
Dividends paid	-	-	-	-	-	-	-	-
Transactions with owners	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	371	371
Share based payment expense	-	-	-	-	-	19	-	19
Other comprehensive income:								
Exchange differences on translation of foreign operations	-	-	-	-	(17)	-	-	(17)
Total comprehensive income / (expense) for the period	-	-	-	-	(17)	19	371	373
Balance at 30 June 2020	1,692	-	11,055	(5,228)	(897)	42	(2,760)	3,904
	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)
Share premium reduction	-	-	-	-	-	-	-	-
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

Condensed Consolidated Interim Statement of Cash Flows

	Unaudited Six months ended 30 June 2020	Restated Unaudited Six months ended 30 June 2019
Note	£'000	£'000
Profit / (loss) before tax	362	(210)
Adjustments for:		
Depreciation	189	186
Share based payment expense	19	2
Interest expense	8	11
Unrealised foreign exchange differences	(17)	(12)
Decrease in trade and other receivables	1,560	2,196
Decrease in trade and other payables	(970)	(1,220)
Cash inflow from operations	1,151	953
Tax Paid	9	(38)
Net cash inflow from operating activities	1,160	915
<u>Cash flows from financing activities</u>		
Dividends paid	-	(254)
Payment of leases	(151)	(157)
Interest paid	(8)	(11)
Net cash used in financing activities	(159)	(422)
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(65)	(7)
Net cash used in investing activities	(65)	(7)
Net increase in cash and cash equivalents	936	486
Cash and cash equivalents at beginning of period	2,601	1,323
Cash & cash equivalents at end of period	3,537	1,809

Notes to the Unaudited Interim Report for the six months ended 30 June 2020

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 21 September 2020.

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 2019, 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 2020. 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 2019.

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 2019.

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. 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 2019.

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 2020	Six months ended 30 June 2019
Attributable profit / (loss) (£'000)	354	(314)
Weighted average number of ordinary basic shares (basic)	16,919,609	16,919,609
Weighted average number of ordinary shares (diluted)	17,600,854	17,005,942
Loss per share (basic) arising from both total and continuing operations	2.09p	(1.86)p
Loss per share (dilutive) arising from both total and continuing operations	2.01p	(1.86)p

5. Trade and other receivables

Trade and other receivables comprise the following:

	30 June 2020 £'000	30 June 2019 £'000
Trade receivables – gross	1,318	1,610
Less: provision for impairment of trade receivables	(161)	(68)
Trade receivables – net	1,157	1,542
Other receivables	69	135
Prepayments and accrued income	424	754
	<u>1,650</u>	<u>2,431</u>

6. Trade and other payables

Trade payables comprise the following:

	30 June 2020 £'000	30 June 2019 £'000
Trade payables	470	333
Social security and other taxes	374	239
Other payables	660	1,311
Accruals	493	407
	<hr/>	<hr/>
	1,997	2,290
	<hr/>	<hr/>

7. Contingencies and commitments

There were no contingencies or commitments at the end of this or the comparative period. Further details are included within the 2019 financial statements.

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.