

18 September 2024

Ingenta plc
(“Ingenta”, the “Company” or the “Group”)

Interim Results

Ingenta plc (AIM: ING), a leading provider of world-class software and services to the global publishing industry, announces its unaudited interim results for the six months to 30 June 2024.

Financial Key Points

- Group revenues of £5.1m (2023: £5.7m)
- 87% of Group revenues recurring in nature (2023: 79%)
- Gross profit margin 48% (2023: 55%)
- Adjusted EBITDA* of £0.7m (2023: £1.6m)
- Cash from operations of £0.4m (2023: £0.4m)
- Cash balances of £3.0m (31 December 2023: £2.6m)
- Adjusted earnings per share** of 4.43 pence (2023: 9.55 pence)
- Interim dividend of 1.5 pence per share (2023: 1.5 pence)

Operational Key Points

- Content revenue increased by 14% to £1.6m (2023: £1.4m) driven by efficient and rapid customer deployments and associated recurring revenue
- Commercial revenue decreased by 20% to £3.4m (2023: £4.3m) as a result of delayed project work and exit of legacy customer business
- 3 significant new contract wins in the second half of the year with total contract value of £1.9m over 3 to 5 years
- Timing of new business wins versus expected reduction in legacy business has resulted in lower than expected revenues in H1 and provides some risk to the achievement of current year end expectations; year end EBITDA outcome now expected to be £1.8m-£2.0m.
- Group expects project work to increase in the second half of the year and has already secured significant new business and the Board remains optimistic about the remainder of the year

*Earnings before Interest, Tax, Depreciation and Amortisation is calculated before foreign exchange differences. See Statement of Comprehensive Income for reconciliation

** Adjusted earnings per share is calculated before taxation and foreign exchange differences. See note 4 for reconciliation

Dividend Timetable

The Company is pleased to confirm that an interim dividend of 1.5 pence per share will be paid on 4 November 2024. The ex-dividend date is 3 October 2024 and the associated record date for the interim dividend is 4 October 2024.

Martyn Rose, Chairman of Ingenta plc, commented:

Although significant new business has been won during the year, and further contract wins are expected, the Group has experienced a slowdown in implementation of new project revenues over the summer months. As in previous years, the Group's implementation of new projects on recently released software platforms is offset by a progressive multi-year reduction in revenues from legacy services. The recent delays mean that new project work has not fully offset these revenue reductions and therefore revenues and profits in the first half of the year are lower than the previous year.

However, the Board is confident that implementation of work already contracted will result in a stronger performance in both revenues and profits in the second half of the year. Furthermore, indications from the summer months that timeframes around new project work may extend further beyond the end of this financial year will result in additional revenues in 2025. As a result, the Board expects to achieve EBITDA for the year ended 31 December 2024 between a range of £1.8m and £2.0m.

Longer term, the Board remains aware of the need to accelerate new business acquisition in order not just to offset the reduction in revenues from legacy platforms over the next 18-24 months but also to resume overall growth in revenues and profits. The Group therefore continues to progress investment plans in sales and marketing along with that in our professional services teams, a strategy which has been vindicated by the previously announced £1.9m of multi-year contracts won in the first half of this year.

Scott Winner, CEO, commented:

Despite the slower start to the year and delayed work from existing clients during the summer which slowed revenues, significant new wins have been achieved. These successes demonstrate that the Group's strategy continues to work and that our products in core growth areas are attractive to the market. The investments in sales and marketing expertise continues to expand our customer base, to build a strong pipeline for targeted future wins.

Our products continue to evolve and innovate, leveraging our strong customer relationships. Our content distribution solution is now capable of delivering online magazine content in addition to the books and journals which have historically been the Group's strength, thereby increasing our addressable market. The first magazine customer was launched earlier in the year and continues to get positive feedback as well as generating word-of-mouth referrals upon which the team is capitalising. Our IP product lines are expanding to incorporate aspects of artificial intelligence to validate alignment of sales to royalties which will increase accuracy in royalty processing.

Our sales and marketing efforts continue to reap rewards and continue to add revenues through our software as a service offerings.

Certain information contained in this announcement would have been deemed inside information as stipulated under the UK version of the EU Market Abuse Regulation (2014/596) which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended and supplemented from time to time, until the release of this announcement.

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Financial Review

In prior years, the Group has experienced a weighting of non-recurring revenues in the first half of the year as customers moved ahead with pre planned project work and, as these projects wound down, they would look to planning for the subsequent year. Increasingly as we go through 2024, the Board's view is that this pattern has not repeated itself to the extent anticipated in that larger projects are taking longer to scope and finalise and customer decision making has slowed. However, the Group expect significant levels of work to commence in the second half of the year.

Statement of Comprehensive Income

Revenue for the six months to 30 June 2024 was £5.1m compared to £5.7m in the prior period. As detailed above and in note 3, these shortfalls were reflected in the non-recurring consulting services revenue which declined by £0.5m to £0.7m (2023: £1.2m). Cost of sales increased marginally to £2.7m (2023: £2.6m) driven by investments made to our professional services teams to streamline future consulting services work.

As outlined previously, the Group is also investing in its sales and marketing activity by supplementing the teams with subject matter specialists to increase new sales activity in both the commercial and content products. This investment has helped generate the recently announced £1.9m of new business wins which the Group will be implementing in the second half of the year.

Administrative expense increases have been driven by non-cash foreign exchange translation differences on intra group balances. As shown in the EBITDA reconciliation, there was a foreign exchange credit of £142K in the prior year as opposed to a charge of £28K in the current period.

Statement of Cash Flows and Financial Position

Cash inflow from operations was £0.4m (2023: £0.4m) and with limited tax exposure due to accumulated tax losses, the Group's cash balances increased to £3m (2023: £2.6m).

The Group has moved away from purchasing physical equipment with a strategic focus on cloud-based deployments. The impact of this is a streamlined holding of property, plant and equipment on the balance sheet and reduced financing costs related to leases and interest payments. The cash flow statement shows only £2K of financing costs compared to £125K in the prior period.

The Group's valuation of its available tax losses over a 5 year planning horizon increased to £1.6m (2023: £1.4m) as indicated by the deferred tax asset on the balance sheet. This valuation is based on UK tax losses only and there remains some limited tax exposure on the US business.

Outlook

Evidence from the summer months suggests that the time taken to secure new business is extending, while the progressive multi-year reduction in revenues from customers on legacy platforms is continuing. The experience to date is that new contracts are taking longer to finalise as customers explore many options before committing to larger projects which in turn delays revenue recognition. However, the Group expects project work to increase in the second half of the year and has already secured significant new business in that respect. The Board therefore remains optimistic about the remainder of the year.

Jon Sheffield
Chief Financial Officer

Unaudited Condensed Consolidated Interim Statement of Comprehensive Income

		Unaudited Six months ended 30 June 2024 £'000	Unaudited Six months ended 30 June 2023 £'000	Audited Year ended 31 Dec 2023 £'000
Revenue	3	5,080	5,743	10,825
Cost of sales		(2,655)	(2,583)	(5,429)
Gross profit		2,425	3,160	5,396
Sales and marketing expenses		(429)	(345)	(757)
Administrative expenses		(1,379)	(1,275)	(2,590)
Profit from operations		617	1,540	2,049
Finance costs		(2)	(10)	(17)
Profit before tax		615	1,530	2,032
Tax		(26)	(22)	267
Retained profit for the period		589	1,508	2,299
Other comprehensive expenses which will be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations		28	(165)	(190)
Total comprehensive profit for the period		617	1,343	2,109
Basic profit per share - pence	4	4.05	10.37	15.82
Diluted profit per share - pence	4	3.93	10.20	15.50
Adjusted profit per share - pence	4	4.43	9.55	12.77

Adjusted EBITDA reconciliation:

Profit from operations	617	1,540	2,049
Depreciation	29	182	288
Foreign exchange (gain) / loss	28	(142)	(168)
Gain on disposal of fixed assets	-	-	-
EBITDA before foreign exchange gains / losses	674	1,580	2,169

Unaudited Condensed Consolidated Interim Statement of Financial Position

	Note	Unaudited 30 June 2024 £'000	Unaudited 30 June 2023 £'000	Audited 31 Dec 2023 £'000
Non-current assets				
Goodwill		2,661	2,661	2,661
Other intangible assets		-	-	-
Property, plant & equipment		65	136	93
Deferred tax		1,622	1,384	1,622
		<u>4,348</u>	<u>4,181</u>	<u>4,376</u>
Current assets				
Trade and other receivables	5	2,183	2,365	2,185
Cash and cash equivalents		3,006	2,594	2,676
		<u>5,189</u>	<u>4,959</u>	<u>4,861</u>
Total assets		<u>9,537</u>	<u>9,140</u>	<u>9,237</u>
Equity				
Share capital		1,512	1,512	1,512
Capital redemption reserve		180	180	180
Merger reserve		11,055	11,055	11,055
Reverse acquisition reserve		(5,228)	(5,228)	(5,228)
Translation reserve		(460)	(463)	(488)
Share option reserve		154	131	140
Retained earnings		(921)	(2,056)	(1,510)
		<u>6,292</u>	<u>5,131</u>	<u>5,661</u>
Non-current liabilities				
Deferred tax liability		-	37	-
		<u>-</u>	<u>37</u>	<u>-</u>
Current liabilities				
Trade and other payables	6	1,252	1,375	1,218
Provisions		150	439	307
Contract liabilities		1,843	2,158	2,051
		<u>3,245</u>	<u>3,972</u>	<u>3,576</u>
Total equity and liabilities		<u>9,537</u>	<u>9,140</u>	<u>9,237</u>

Unaudited Condensed Consolidated Interim Statement of Changes in Equity

	Share capital	Capital redemption reserve	Merger reserve	Reverse acquisition reserve	Translation reserve	Share option reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2023	1,512	180	11,055	(5,228)	(298)	117	(3,564)	3,774
Share based payment expense	-	-	-	-	-	14	-	14
Transactions with owners	-	-	-	-	-	14	-	14
Profit for the period	-	-	-	-	-	-	1,508	1,508
Other comprehensive income:								
Exchange differences on translation of foreign operations	-	-	-	-	(165)	-	-	(165)
Total comprehensive income / (expense) for the period	-	-	-	-	(165)	-	1,508	1,343
Balance at 30 June 2023	1,512	180	11,055	(5,228)	(463)	131	(2,056)	5,131

	Share capital	Capital redemption reserve	Merger reserve	Reverse acquisition reserve	Translation reserve	Share option reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2024	1,512	180	11,055	(5,228)	(488)	140	(1,510)	5,661
Share based payment expense	-	-	-	-	-	14	-	14
Transactions with owners	-	-	-	-	-	14	-	14
Profit for the period	-	-	-	-	-	-	589	589
Other comprehensive income:								
Exchange differences on translation of foreign operations	-	-	-	-	28	-	-	28
Total comprehensive income / (expense) for the period	-	-	-	-	28	-	589	617
Balance at 30 June 2024	1,512	180	11,055	(5,228)	(460)	154	(921)	6,292

Unaudited Condensed Consolidated Interim Statement of Cash Flows

	Unaudited Six months ended 30 June 2024 £'000	Unaudited Six months ended 30 June 2023 £'000	Audited Year ended 31 Dec 2023 £'000
Profit before tax	615	1,530	2,032
Adjustments for:			
Depreciation and amortisation	29	182	288
Share based payment expense	14	14	23
Interest expense	2	10	17
Decrease / (increase) in trade and other receivables	3	(454)	(276)
(Decrease) in trade and other payables	(147)	(1,201)	(1,112)
(Decrease) / increase in provisions	(157)	300	168
Cash inflow from operations	359	381	1,140
Tax Paid	(26)	(22)	(7)
Net cash inflow from operating activities	333	359	1,133
<u>Cash flows from financing activities</u>			
Dividend paid	-	-	(545)
Payment of leases	-	(115)	(192)
Interest paid	(2)	(10)	(17)
Net cash used in financing activities	(2)	(125)	(754)
<u>Cash flows from investing activities</u>			
Purchase of property, plant and equipment	(1)	(16)	(80)
Net cash used in investing activities	(1)	(16)	(80)
Net increase / (decrease) in cash and cash equivalents	330	218	299
Cash and cash equivalents at beginning of period	2,676	2,376	2,376
Exchange differences on cash and cash equivalents	-	-	1
Cash & cash equivalents at end of period	3,006	2,594	2,676

Notes to the Unaudited Interim Report for the six months ended 30 June 2024

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 Suite 2, Whichford House, Oxford OX4 2JY. The condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 18 September 2024.

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 2022, 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 2023. They have been prepared following the recognition and measurement principles of UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006. 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 2023.

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 2023.

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. Revenue

An analysis of the Group's revenue by activity is shown below:

	Six months ended 30 June 2024 £'000	Six months ended 30 June 2023 £'000
Licences	-	24
Consulting services	674	1,174
Non-recurring revenue	674	1,198
Hosted services	1,816	1,742
Managed services	1,319	1,522
Support and upgrade	1,085	1,096
PCG	186	185
Recurring revenue	4,406	4,545
	<u>5,080</u>	<u>5,743</u>

An analysis of the Group's revenue by product type is shown below:

	Six months ended 30 June 2024 £'000	Six months ended 30 June 2023 £'000
Content products	1,646	1,439
Commercial products	3,434	4,304
	<u>5,080</u>	<u>5,743</u>

4. Profit per share

Basic profit per share is calculated by dividing the profit 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.

	Six months ended 30 June 2024	Six months ended 30 June 2023
Attributable profit (£'000)	589	1,508
Foreign exchange loss / (gain) (£'000)	29	(142)
Taxation (£'000)	26	22
Adjusted attributable profit (£'000)	<u>643</u>	<u>1,388</u>
Weighted average number of ordinary basic shares (basic)	14,535,195	14,535,195
Weighted average number of ordinary shares (diluted)	14,990,264	14,784,197
Profit per share (basic) arising from both total and continuing operations	4.05p	10.37p
Profit per share (dilutive) arising from both total and continuing operations	3.93p	10.20p
Adjusted profit per share (basic) arising from both total and continuing operations	4.43p	9.55p

5. Trade and other receivables

Trade and other receivables comprise the following:

	30 June 2024 £'000	30 June 2023 £'000
Trade receivables – gross	1,768	1,920
Less: provision for impairment of trade receivables	<u>(53)</u>	<u>(48)</u>
Trade receivables – net	1,715	1,872
Other receivables	4	4
Prepayments and unbilled receivables	<u>464</u>	<u>489</u>
	<u>2,183</u>	<u>2,365</u>

6. Trade and other payables

Trade payables comprise the following:

	30 June 2024	30 June 2023
	£'000	£'000
Trade payables	312	274
Social security and other taxes	329	245
Other payables	239	332
Accruals	372	524
	<hr/>	<hr/>
	1,252	1,375
	<hr/>	<hr/>

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.