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Universe Group PLC
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AIM: UNG.L

Universe Group plc
("Universe", the "Group" or the "Company")

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

Universe Group plc (AIM: UNG.L), a leading developer and supplier of point of sale, payment and loyalty systems, is pleased to announce today its audited results for the year ended 31 December 2016.

Highlights

Financial

- Total revenues of £19.71m (2015: £20.33m)
- Gross profit up 2.0% to £6.87m (2015: £6.74m)
- Operating profit stable at £2.04m (2015: £2.04m)
- Profit before tax up 20.0% to £2.01m (2015: £1.68m)
- Profit after tax up 22.3% to £1.84m (2015: £1.50m)
- Operating profit per share of 0.88p (2015: 0.89p)
- Statutory diluted EPS up 20.6% to 0.76p (2015: 0.63p)

Operational

- A year of significant investment in new product offerings
- Accelerated development of next generation of retail solutions
- Investment in sales capability to carry expanded product set to market
- Pilot sites launched in period and large-scale roll-outs are now scheduled or underway

Robert Goddard, Chairman of Universe, commented:

"We are pleased to announce another encouraging performance in 2016, a year dominated by heavy investment in our new product suite. Whilst revenues dipped 3.0% as certain planned customer deployments slipped beyond our financial year end, profit before tax rose 20.0% to £2.01m and diluted EPS was up 20.6% to 0.76p. Cash generation was robust.

Partly by way of pilot sites, we have been busy developing further our next generation point of sale, back office and head office solutions, and full-scale roll-outs to customers are now scheduled or underway. Other new products such as our cloud-based digital advertising product for in-store use, self-checkout tills and tobacco dispensing technology were all deployed for the first time with customers in 2016. The year also saw the development of the successor to our market-leading card payment terminal and this will be launched in the current year.

There has been considerable customer interest in our renewed and high-functionality product set and this bodes well for continued growth in 2017 and beyond. The board thanks all staff for the year's achievements and looks forward with continued confidence."

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CHAIRMAN'S STATEMENT

Introduction

The Group made very encouraging operational progress during 2016, particularly with product development. However, as previously reported, Universe's financial performance was affected by delays in certain planned customer deployments. As a result, revenue is 3.0% lower year-on-year at £19.71m (2015: £20.33m) and profit before tax, whilst up 20.0% to £2.01m, is somewhat behind our original expectations. Statutory diluted earnings per share rose by 20.6% to 0.76p (2015: 0.63p). Gross profit margin is up to 34.8% from 33.1% in 2015 and gross profit increased to £6.87m (2015: £6.74m), reflecting careful cost control.

The delayed large scale customer deployments are now progressing towards implementation, although the Company now expects an extended schedule. The significant investment we have made in our next generation products provides a solid platform from which to drive future growth.

Overview

The major focus of 2016 was product development and readying our next generation of point-of-sale, back office and head office software products for deployment with new customers. These deployments include three large scale customer implementations with Conviviality plc, the UK's largest franchised chain of off-licence and convenience stores, a leading grocery chain, and a leading independent forecourt operator. We also continued the successful deployment of Gempay across the petrol forecourt industry, with new installations into one of the top independent fuel groups, and onto the forecourt of a leading oil brand.

Reflecting the delays in the timing of certain customer roll-outs, sales over the year were weighted significantly towards the second half. Sales in the second half were 17.8% ahead of the first half at £10.66m.

In the second half, we developed additional feature-rich products that will be attractive to both existing and new customers, and will be investing further in our products in 2017. A particular focus will be building out our retail technology offering, and we see this being achieved through a combination of in-house product development, complementary 'bolt-on' acquisitions and collaboration with partners.

We are pleased with the increasing awareness among customers of the Group's products (sold under our htec brand) in the convenience store market and we intend to capitalise on this over the coming year.

Staff

2016 was another busy year for the Group as we moved through the phases of developing products, winning contracts and deploying new solutions for existing and new customers. Again, we thank all our staff for their hard work, creativity and dedication over the year.

The Board would also like to extend its very best wishes to Billy Tank, our Sales and Marketing Director. As announced in February, he is now taking an extended leave of absence for medical reasons and, for the time being, his various responsibilities are being fulfilled by his senior colleagues.

Summary and outlook

The Group finished the year with a significantly enhanced product offering and with further product development underway. Large scale roll-outs of our next generation point-of-sale, back office and head office solutions are underway and scheduled, albeit now that timetables have extended. Other new products, such as our cloud-based digital advertising product, self-checkout tills and tobacco dispensing technology, have been deployed with their first customers. The successor to our market-leading card payment terminal will also be launched later this year.

We remain very encouraged by market interest in our solutions and this bodes well for 2017 and beyond.

Robert Goddard
Chairman
3 April 2017

Extracts from the Strategic Report

Principal activity

The Group designs, develops and supports point-of-sale, payment and on-line loyalty solutions and systems for the UK petrol forecourt and convenience store markets. These can be provided as a comprehensive, fully-managed offering or as discrete products, according to customer needs.

The Group's activities generate four distinct revenue streams from:

- **Software licences and hardware**: this income stream comes from the sale of products, such as our point-of-sale and back office systems. The enlargement of our existing customer base brings new revenues but also typically adds additional, recurring revenues from support contracts. In addition to securing new customers, there are regular opportunities to refresh the products on existing customer estates.
- **Service and installations**: the sale of our software and hardware products typically leads to an additional, recurring revenue stream through the provision of support services, and customer installations. We provide industry-leading customer service levels, with 24-hour helpdesk support, a nationwide field service and a specialised repair and refurbishment team, all of which help to promote close, long term customer relationships.
- **Data services**: our data centres, which accept, process, store and transmit credit card information are accredited to the highest level of the Payment Card Industry ("PCI") standards. Our data centres also maintain and support hosted solutions for our cloud-based products covering management information, loyalty and as an agent for payment processing. They deliver high uptime and excellent transaction processing speeds to a growing customer base.
- **Consultancy and software maintenance:** two software development teams provide product development, consultancy services and product support to customers, with the teams focused respectively on products and hosted solutions.

Across each of these revenue streams, innovation and high levels of customer care are central to the Group's success.

Organisational overview

The Group's business is directed by the Board and managed by the Executive Directors, led by Chief Executive, Jeremy Lewis. A Senior Management Team, comprising the Chief Executive, the Chief Financial Officer, the Sales and Marketing Director and Senior Executives, is responsible for Operations, Human Resources, Development and Data Centres. There are three Non-executive Directors.

The main operating entity is htec Limited.

Strategy and business plan

The Board's objective is to increase shareholder value by growing revenue and profits. We intend to achieve this by being the prime solutions partner to retailers in our chosen verticals, supplying them with our market-leading, innovative systems for point-of-sale, payment and loyalty operations. These IT systems are real-time, mission-critical and data rich, and our customers rely on us to keep them trading at all times. Accordingly, effective and efficient support, from our data centre teams, field force and helpdesk professionals, remains a core part of what we do.

Opportunities to acquire new businesses are reviewed on a regular basis, in particular where they may assist in extending our addressable markets or add complementary technology or broaden our geographic reach. During 2016, the Board considered three opportunities in detail but did not further progress them since they did not meet our value criteria.

Business and product development

2016 has been a year of preparing our next generation products for the customers we have secured for them. Pilots have been running with these customers throughout the year, and significant roll-outs are starting, although the commencement of some of these large-scale implementations has been delayed. We are pleased to report that over 70 sites are now using the new products. In the year, we have also increased our sales and marketing effort so that we are well placed for sales to our core markets of petrol forecourts and convenience store.

As part of our ongoing product development, we completed the upgrade of our back office system ("BOS"), launching the new product as 'Callisto', and also enhanced our head office system ("HOS"), launching it as 'Jupiter', for widespread roll-out. We also commenced work on the third generation of our Gempay payment solution. We expect to launch this in the second half of 2017 and already are experiencing strong customer interest.

As part of our strategic ambition to build our existing market presence, we launched several add-on products, which will be used to enhance our core point-of-sale ("POS"), BOS and HOS offering. These include:

- Iocaste, a cloud-hosted content management system that provides central control of store-based media screens and allows reactive advertising by the retailer;
- self-checkout solutions from the market-leading suppliers. These are fully integrated with our point-of-sale systems and provide retailers with greater flexibility in the way they serve their customers;
- tobacco-dispensing units linked to our point-of-sale system. These will greatly facilitate the sale of tobacco in unbranded packaging and help to overcome a considerable challenge for all retailers in 2017 as the new plain packaging legislation begins to have an impact.

Interest in our enhanced product suite is high and we expect further opportunities to expand our customer base in 2017 as well as to sell new, add-on solutions to our existing clients.

Financial review

The 3.0% decrease in sales to £19.71m in 2016 (2015: £20.33m) principally reflected delays in certain large scale customer implementations as previously reported. We saw strongest growth in data services, where revenue increased by 11.0% to £4.00m, following the addition of third party network management as part of our integrated service provision. Revenue from service and installations grew by 4.5% to £7.22m. In large part this was driven by the success of the existing Gempay product, with two more significant customers added to the estate in 2016. As Gempay strengthened its position as the payment terminal of choice for the UK forecourt market, we ended the year serving 22% more sites than at the close of 2015.

Revenue from software and hardware licences decreased by 14.9% to £4.66m. This mainly reflected the end of the Outside Payment Terminal 'refresh' programme that we had been implementing for a major customer through 2014 and 2015.

Software development was focused largely on preparing the next generation products for roll-out and consequently revenue from this business stream reduced by 11.7% to £3.84m.

Despite the decrease in sales, gross profit increased to £6.87m (2015: £6.74m), with gross margins improving to 34.8% (2015: 33.1%). The drivers of this were the scale benefits arising from growth in our service revenues and from the efficiency improvements that we achieved in the software development services we provide to one of our major loyalty scheme customers.

Administrative expenses rose slightly to £4.83m (2015: £4.70m). This was largely due to increased spending on sales and marketing resource as we position the Group for growth and seek to capitalise on our investment in new products.

Operating profit for the year was stable at £2.04m (2015: £2.04m) and operating profit margin rose slightly to 10.4% (2015: 10.0%).

Net finance costs decreased significantly to £0.03m (2015: £0.36m). Of this, £0.28m resulted from adjustments to provisions for contingent consideration in both 2015 and 2016. Excluding these movements, net interest decreased by £0.05m to £0.12m as we continued to unwind our interest-bearing finance leases. These movements in provisions helped to increase the profit before tax by 20.0% to £2.01m (2015: £1.68m).

The tax charge of £0.18m was in line with the prior year (2015: £0.18m), reflecting similar levels of operating profit and the provision movements referred to above being non-taxable. Consequently, profit after tax rose by 22.3% to £1.84m (2015: £1.50m).

Accordingly, basic and diluted earnings per share respectively increased by 19.7% to 0.79p (2015: 0.66p) and by 20.6% to 0.76p (2015: 0.63p). Operating profit per share, which strips out the impact of the fluctuations in net finance expense, decreased by 1.1% over the year to 0.88p (2015: 0.89p).

Cash flow and financing

Adjusted EBITDA decreased by 3.5% to £3.77m (2015: £3.91m).

Working capital requirements reduced the net cash inflow from operations to £2.36m (2015: £3.42m), as sales were somewhat concentrated in the final two months of the year.

Investment in product development was increased significantly in 2016 to £0.99m (2015: £0.61m). A large proportion of this was expended on preparing the next generation products, Jupiter and Callisto, for roll-out to specific new customers, as well as for sale more widely in the petrol and convenience store markets. We continued to develop the Iocaste content management system and this product is now in pilot with two customers. In addition, we refreshed all our Microsoft licenses by investing £0.69m in upgradeable, perpetual licenses. We used vendor finance, repayable interest-free over three years, to facilitate this.

The net cash inflow from operating activities helped to fund product development; a £0.40m investment in fixed assets (2015: £0.64m); a £0.35m payment of deferred and contingent consideration on the two recent acquisitions (2015: £0.28m), and £0.59m of finance lease capital repayments (2015: £0.48m).

Cash on the balance sheet at the year-end stood at £3.41m (2015: £3.38m).

Summary

Over the last three years we have continued to build on our strong position in the petrol forecourt sector and have used our presence in this market to open up opportunities in the larger market of convenience stores. We continue to respond to the needs of our retail clients to help them maximise footfall and increase customer basket size and so help improve their profitability. Our product development, deployment and extensive support services are all geared to help achieve this. We believe that growth prospects for the Group continue to look positive.

Jeremy Lewis
Chief Executive Officer
3 April 2017

Consolidated Statement of Total Comprehensive Income
For the year ended 31 December 2016

	2016 £'000	2015 £'000
Continuing operations		
Revenue	19,712	20,327
Cost of sales	(12,843)	(13,591)
Gross profit	6,869	6,736
Administrative expenses	(4,827)	(4,698)
Operating profit	2,042	2,038
Finance income	99	10
Finance expense	(131)	(373)
Profit before taxation	2,010	1,675
Taxation	(175)	(175)
Profit and total comprehensive income for the year	1,835	1,500
Earnings per ordinary share		
Basic earnings per share	0.79p	0.66p
Diluted earnings per share	0.76p	0.63p

Consolidated Statement of Changes in Equity
For the year ended 31 December 2016

	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Merger reserve on acquisition £'000	Translation reserve £'000	Profit and loss £'000	Total equity £'000
At 1 January 2015	2,203	4,588	12,716	2,269	(225)	(3,089)	18,462
Profit and total comprehensive income for the year	-	-	-	-	-	1,500	1,500
Issue of share capital	110	-	346	-	-	-	456
Share based payments	-	-	-	-	-	122	122
At 31 December 2015	2,313	4,588	13,062	2,269	(225)	(1,467)	20,540
At 1 January 2016	2,313	4,588	13,062	2,269	(225)	(1,467)	20,540
Profit and total comprehensive income for the year	-	-	-	-	-	1,835	1,835
Issue of share capital	3	-	-	-	-	-	3
Share based payments	-	-	-	-	-	116	116
At 31 December 2016	2,316	4,588	13,062	2,269	(225)	484	22,494

Consolidated Balance Sheet
As at 31 December 2016

	2016 £'000	2015 £'000
Non-current assets		
Goodwill and other intangible assets	13,947	14,075
Development costs	2,745	2,367
Property, plant and equipment	2,384	2,217
	19,076	18,659
Current assets		
Inventories	1,084	881
Trade and other receivables	5,151	4,296
Cash and cash equivalents	3,408	3,380
	9,643	8,557
Total assets	28,719	27,216
Current liabilities		
Trade and other payables	(4,448)	(4,445)
Current tax liabilities	(136)	(248)
Borrowings	(686)	(478)
Deferred consideration	-	(6)
Contingent consideration	(55)	(414)
	(5,325)	(5,591)
Non-current liabilities		
Borrowings	(608)	(763)
Contingent consideration	-	(58)
Deferred tax	(292)	(264)
	(900)	(1,085)
Total liabilities	(6,225)	(6,676)
Net assets	**22,494**	**20,540**
Equity		
Share capital	2,316	2,313
Capital redemption reserve	4,588	4,588
Share premium	13,062	13,062
Merger reserve	2,269	2,269
Translation reserve	(225)	(225)
Profit and loss account	484	(1,467)
Total equity	**22,494**	**20,540**

Consolidated Cash Flow Statement
For the year ended 31 December 2016

	2016 £'000	2015 £'000
Cash flows from operating activities:		
Profit before tax	2,010	1,675
Depreciation and amortisation	1,613	1,747
Share based payments	116	122
Net finance expense	32	363
	3,771	3,907
Movement in working capital:		
(Increase)/decrease in inventories	(203)	525
Increase in receivables	(855)	(8)
Increase/(decrease) in payables	3	(768)
Interest paid	(102)	(127)
Tax paid	(259)	(109)
Net cash inflow from operating activities	2,355	3,420
Cash flows from investing activities:		
Deferred and contingent consideration arising on the acquisition of subsidiary undertakings	(345)	(279)
Acquisition of subsidiary undertakings	-	(30)
Purchase of property, plant & equipment	(400)	(640)
Expenditure on product development	(993)	(612)
Net cash outflow from investing activities	(1,738)	(1,561)

Cash flow from financing activities:

Proceeds from issue of shares	3	56
Loan repayments	-	(120)
Repayments of obligations under finance leases	(592)	(479)
Net cash outflow from financing	(589)	(543)
Increase in cash and cash equivalents	28	1,316
Cash and cash equivalents at beginning of year	3,380	2,064
Cash and cash equivalents at end of year	3,408	3,380

Notes

1. General Information

The financial information set out in this document does not constitute the Company's statutory accounts for 2015 or 2016. Statutory accounts for the years ended 31 December 2015 and 31 December 2016 have been reported on by the Independent Auditors. The Independent Auditors' Reports on the Annual Report and Financial Statements for each of 2015 and 2016 were unmodified, did not draw attention to any matters by way of emphasis and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Statutory accounts for the year ended 31 December 2015 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2016 will be delivered to the Registrar in due course, and will be available from the Company's registered office at George Curl Way, Southampton International Park, Southampton, SO18 2RX and from the Company's website www.universeplc.com.

The financial information set out in these results has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively "Adopted IFRSs"). The accounting policies adopted in these results have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the statutory accounts for the period ended 31 December 2015. The principal accounting policies adopted are unchanged from those used in the preparation of the statutory accounts for the period ended 31 December 2015.

2. Turnover analysis

	2016 £'000	**2015 £'000**
Software licences and hardware	4,657	5,470
Service and installations	7,218	6,909
Data services	3,998	3,601
Consultancy and software maintenance	3,839	4,347
	19,712	20,327

3. Operating Profit and adjusted EBITDA

	2016 £'000	**2015 £'000**
Operating profit	2,042	2,038
Add back:		
Depreciation	870	903
Amortisation	743	844
Share based payments	116	122
Adjusted EBITDA	3,771	3,907

4. Segment information

The Group has only one business segment, 'htec Solutions'. All material operations and assets are in the UK.

	Solutions 2016 £'000	**Corporate 2016 £'000**	**Total 2016 £'000**
Revenue - all external	19,712	-	19,712
Gross profit	6,869	-	6,869
Segment expenses	(4,203)	(624)	(4,827)
Segment operating profit	2,666	(624)	2,042
Unallocated items:			
Net finance expense			(32)
Taxation			(175)
Profit for the year			1,835

	Solutions 2015 £'000	Corporate 2015 £'000	Total 2015 £'000
Revenue - all external	20,327	-	20,327
Gross profit	6,736	-	6,736
Segment expenses	(4,018)	(680)	(4,698)
Segment operating profit	2,718	(680)	2,038
Unallocated items:			
Net finance expense			(363)
Taxation			(175)
Profit for the year			1,500

5. Earnings per share

The calculation of the basic, diluted and operating earnings per share is based on the following data:

	2016 £'000	2015 £'000
Profit for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	1,835	1,500
Add back net finance charge	32	363
Add back taxation charge	175	175
Profit used for operating profit per share	2,042	2,038

	2016 Number '000	2015 Number '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share and operating profit per share	231,348	227,996
Weighted average number of ordinary shares for the purposes of diluted earnings per share	241,553	238,023

At the year end the Group had in issue 231,598,935 ordinary shares of 1p each (2015: 231,286,435 ordinary shares of 1p each).

6. Material non-cash transactions

During the year the Group entered into £685,000 (2015: £13,000) of finance leases for plant and equipment.

These transactions are not reflected in the cash flow statement.

7. Report and Accounts

Copies of the Annual Report and Accounts will be sent to shareholders in May 2017 and copies will also be available, free of charge, from the Company's registered office at George Curl Way, Southampton SO18 2RX and from the Company's website www.universeplc.com.

8. Annual General Meeting

The Company's Annual General Meeting is scheduled for 22 June 2017, notice of which will be sent to shareholders next month.