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Jaywing PLC - JWNG Half Yearly Report
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On behalf of: Jaywing plc ("Jaywing", "the Company" or "the Group")
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Jaywing plc Interim Results 2015/2016

Jaywing plc (AIM: JWNG) today announced its interim results for the six months ended 30 September 2015.

Financial highlights from continuing operations

	Period to 30 September 2015 £'000	Period to 30 September 2014 £'000
Gross profit*	15,447	15,271
Operating profit	290	(1,152)
Adjusted EBITDA**	1,807	1,976
Adjusted EBITDA margin***	11.7%	12.9%
Basic EPS on adjusted EBITDA	2.18p	2.59p
Basic EPS	0.03p	(1.74p)
Net debt	6,389	5,515

* Revenue less direct costs of sale

** Before amortisation, share based charges, exceptional items and acquisition related costs

*** As a percentage of gross profit

Highlights:

- Gross profit (fee income) organic growth of 1.2% compared to H1 2015 and 4.3% compared to H2 2015

- Operating profit of £290k represents a turnaround of £1,442k from a loss of £1,152k in the previous year
- Small reduction in EBITDA as a result of planned investment in product development
- Good progress with the Company strategy to accelerate growth and sharpen operational focus with an increasingly integrated service offering with data science at it's core

Outlook:

- Trading in H2 2016 in line with management expectations

Commenting on the results, Ian Robinson, Chairman of Jaywing plc, said:

"The first half of the financial year has been one of further progress for Jaywing. The business continues to grow gross profit and remains profitable and cash generative. Jaywing's investment in product development is showing positive outcomes. We continue to progress our strategic objectives including the provision of increasingly integrated services to our clients with data science at their core."

Enquiries:**Jaywing plc**

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CHIEF EXECUTIVE COMMENTARY

We've made an encouraging start to the financial year, successfully balancing the delivery of our current year numbers with investment in the future growth of the business. The level of organic growth has been particularly pleasing and this has contributed to another solid financial performance.

Gross profit (GP) has grown compared to both H1 2015 (£176k / 1.2%) and H2 2015 (£632k / 4.3%). Operating profit of £290k in H1 2016 represents a turnaround of £1,442k from a loss of £1,152k in H1 2015. EBITDA has fallen slightly as a consequence of concentrating some of our key resources on product development at the beginning of the year.

We have seen growth in our Agency Services segment that contains our website design and build, content marketing, social media, brand communications and customer management outsourcing propositions. Both GP and EBITDA have increased from H2 2015, by 1.9% and 10.0% respectively whilst EBITDA margin has also improved from 14.5% to 15.8%. There have been a number of new wins, especially within customer management outsourcing. We have also seen an increase in new business opportunities and wins from brands requiring a combination of services from across Jaywing, particularly those services that are underpinned by data science. This validates our collaborative operating model and should lead to "stickier" client relationships.

The Media & Analysis segment comprising search marketing (branded Epiphany) and data analysis, has also achieved GP growth compared to both H1

2015 (£485k / 5.9%) and H2 2015 (£514k / 6.2%). Product development costs sit within this segment, and as already noted, this investment accounts for a small decrease in EBITDA from £2,238k in H1 2015 to £2,144k in H1 2016 (4.2%).

The underlying performance of both segments is solid and overall we are on track to achieve our full year expectations.

Net debt has increased to £6.4m from £5.2m at 31st March 2015 largely as a consequence of the first Epiphany earn-out payment of £1.6m made in July 2015. However, cash generation from operating activities has remained positive.

We are encouraged by the progress made by our investment in product development. Our online data platform is now being tested by a number of clients whilst we have other products still in development. It is good to see the close collaboration between Jaywing's Data Scientists and Epiphany's online media experts.

With the new senior management team structure announced in July we now have the bandwidth to push forward with greater ambition and in so doing harness the potential of the exceptional collection of specialists that we employ.

Martin Boddy
Chief Executive Officer
24 November 2015

Consolidated interim statement of comprehensive income (unaudited)

		Six months ended 30 Sept 2015	Six months ended 30 Sept 2014	Audited year ended 31 March 2015
	<i>Note</i>	£'000	£'000	£'000
Revenue	4	17,051	17,261	33,789
Direct costs		(1,604)	(1,990)	(3,703)
Gross profit		15,447	15,271	30,086
Other operating income		-	-	57
Amortisation		(787)	(1,767)	(3,474)
Operating expenses		(14,370)	(14,656)	(27,759)
Operating profit/(loss)		290	(1,152)	(1,090)
Finance income		-	3	3
Finance costs		(128)	(138)	(272)
Net financing costs		(128)	(135)	(269)
Profit/(loss) before tax		162	(1,287)	(1,359)
Tax expense	5	(173)	(9)	(119)
Loss for the period from continuing operations		(11)	(1,296)	(1,478)
Exchange differences on retranslation of foreign operations		32	-	21
Profit/(loss) for the period attributable to the equity holders of the parent		21	(1,296)	(1,457)

Profit/(loss) per ordinary share	6			
Basic earnings/(loss) per share		0.03p	(1.74p)	(1.91p)
Diluted earnings/(loss) per share		0.03p	(1.70p)	(1.75p)

Consolidated interim balance sheet (unaudited)

		30 Sept 2015	30 Sept 2014	Audited 31 March 2015
	<i>Note</i>	£'000	£'000	£'000
Assets				
Non-current assets				
Property, plant and equipment		707	627	685
Goodwill		30,446	30,446	30,446
Other intangible assets		7,278	9,772	8,065
		38,431	40,845	39,196
Current assets				
Trade and other receivables		8,402	8,376	7,530
Cash and cash equivalents		1	1,204	1,000
		8,403	9,580	8,530
Total assets		46,834	50,425	47,726
Liabilities				
Current liabilities				
Bank overdraft	7	(184)	-	-
Other interest bearing loans and borrowings	7	(4,612)	(4,062)	(4,062)
Trade and other payables		(5,824)	(8,497)	(7,157)
Tax payable		(631)	(713)	(355)
Provisions		(161)	(151)	(158)
		(11,412)	(13,423)	(11,732)
Non-current liabilities				
Other interest bearing loans and borrowings	7	(1,594)	(2,657)	(2,126)
Deferred tax liabilities		(1,526)	(1,983)	(1,667)
		(3,120)	(4,640)	(3,793)
Total liabilities		(14,532)	(18,063)	(15,525)
Net assets		32,302	32,362	32,201
Equity				
Capital and reserves attributable to equity holders of the company				
Share capital		34,139	34,051	34,139
Share premium account		6,608	6,608	6,608
Capital redemption reserve		125	125	125
Shares purchased for treasury		(25)	(25)	(25)
Share option reserve		80	88	-
Foreign currency translation reserve		53	-	21
Retained earnings		(8,678)	(8,485)	(8,667)
Total equity		32,302	32,362	32,201

Consolidated interim cash flow statement (unaudited)

		Six months ended 30 Sept 2015 £'000	Six months ended 30 Sept 2014 £'000	Audited year ended 31 March 2015 £'000
	<i>Note</i>			
Cash flow from operating activities				
Loss for the period		(11)	(1,296)	(1,478)
Adjustment for:				
Depreciation, amortisation and impairment		980	1,955	3,854
Loss on disposal		-	-	-
Movement in provisions		3	20	27
Foreign exchange		32	-	21
Finance income		-	(3)	(3)
Finance costs		128	138	272
Share based payment charge/(credit)		221	(5)	-
Taxation		173	9	119
Operating cash flow before changes in working capital		1,526	818	2,812
(Increase)/decrease in trade and other receivables		(911)	(326)	1,034
Increase/(decrease) in trade and other payables		113	103	(327)
Cash generated from operations		728	595	3,519
Interest received		-	3	3
Interest paid		(128)	(130)	(267)
Tax paid		-	-	(801)
Net cash flow from operating activities		600	468	2,454
Cash flows from investing activities				
Acquisition of subsidiary Epiphany Solutions net of cash acquired		-	-	(4)
Payment of deferred consideration		(1,589)	-	(1,405)
Acquisition of property, plant and equipment		(213)	(177)	(427)
Net cash outflow from investing activities		(1,802)	(177)	(1,836)
Cash flows from financing activities				
Increase in borrowings		550	-	-
Repayment of borrowings		(531)	(1,081)	(1,612)
Net cash inflow/(outflow) from financing activities		19	(1,081)	(1,612)
Net decrease in cash, cash equivalents and bank overdrafts		(1,183)	(790)	(994)
Cash and cash equivalents at beginning of period		1,000	1,994	1,994
Cash and cash equivalents at end of period		(183)	1,204	1,000
Cash and cash equivalents comprise:				
Cash at bank and in hand		1	1,204	1,000
Bank overdrafts	7	(184)	-	-
Cash and cash equivalents at		(183)	1,204	1,000

end of period

Consolidated interim statement of changes in equity (unaudited)

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Treasury Shares £'000	Share option reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 31 March 2014	34,051	6,608	125	(25)	88	-	(7,189)	33,658
Loss for the period	-	-	-	-	-	-	(1,296)	(1,296)
Total comprehensive income for the period	-	-	-	-	-	-	(1,296)	(1,296)
Balance at 30 September 2014	34,051	6,608	125	(25)	88	-	(8,485)	32,362
Transfer from share option reserve	88	-	-	-	(88)	-	-	-
Transactions with owners	88	-	-	-	(88)	-	-	-
Loss for the period	-	-	-	-	-	-	(182)	(182)
Retranslation of foreign currency	-	-	-	-	-	21	-	21
Total comprehensive income for the period	-	-	-	-	-	21	(182)	(161)
Balance at 31 March 2015 (audited)	34,139	6,608	125	(25)	-	21	(8,667)	32,201
Loss for the period	-	-	-	-	-	-	(11)	(11)
Retranslation of foreign currency	-	-	-	-	-	32	-	32
Charge in respect of share based payments	-	-	-	-	80	-	-	80
Total comprehensive income for the period	-	-	-	-	80	32	(11)	101
Balance at 30 September 2015	34,139	6,608	125	(25)	80	53	(8,678)	32,302

1. General Information

Jaywing plc (the "Company") is incorporated and domiciled in the United Kingdom. The Company is listed on the AIM market of the London Stock Exchange. The registered address is Players House, 300 Attercliffe Common, Sheffield, S9 2AG.

The interim financial information was approved for issue on 25 November 2015.

2. Basis of preparation

The consolidated interim financial statements for the six months ended 30 September 2015 have been prepared in accordance with applicable accounting standards and under the historical cost convention except for certain financial instruments that are

carried at fair value.

The financial information for the year ended 31 March 2015 set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 March 2015 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Section 498 (2) or Section 498 (3) of the Companies Act 2006.

The consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2015, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

3. Accounting policies

Except as described below, the principal accounting policies of Jaywing plc and its subsidiaries ("the Group") are consistent with those set out in the Group's 2015 annual report and financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following standards and interpretations of relevance to the Group have been issued but are not yet effective and have not been adopted by the Group:

- IFRS 9 Financial Instruments (effective 1 January 2018)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2016)
- IFRS 15 Revenue for Contracts with Customers (effective 1 January 2017)

These standards and interpretations are not expected to have any significant impact on the Group's financial statements.

Other standards and interpretations in issue but not yet effective are not considered to have any relevance to the Group.

4. Segment information (unaudited)

The Group reports its business activities in two areas: Agency Services and Media & Analysis being its two primary business activities. Unallocated represents the Group's head office function, along with intragroup transactions.

Total assets exclude intangible assets, cash and external borrowings which have not been allocated to operating segments.

The majority of the Group's activities are carried out within the UK. There is also a small subsidiary in Australia.

4. Segment information (unaudited) (continued)

Six months ended 30 September
2015

	Agency Services £'000	Media & Analysis £'000	Unallocated £'000	Total Group £'000
Revenue	7,352	9,865	(166)	17,051
Direct costs	(666)	(1,104)	166	(1,604)
Gross profit	6,686	8,761	-	15,447
Operating expenses excluding depreciation, amortisation, exceptional items, acquisition related costs and charges for share based payments	(5,628)	(6,617)	(1,395)	(13,640)
Operating profit / (loss)				

**before depreciation,
amortisation,
exceptional items,
acquisition related costs
and credit for share
based payments**

	1,058	2,144	(1,395)	1,807
Depreciation	(128)	(54)	(11)	(193)
Amortisation	(458)	(329)	-	(787)
Compensation for loss of office	(1)	(29)	(68)	(98)
Acquisition related costs	(48)	(165)	-	(213)
Charge for share based payments	-	-	(226)	(226)
Operating profit / (loss)	<u>423</u>	<u>1,567</u>	<u>(1,700)</u>	<u>290</u>
Finance costs				<u>(128)</u>
Profit before tax				<u>162</u>
Tax expense				<u>(173)</u>
Loss for the period				<u>(11)</u>

**Six months ended 30 September
2014**

	Agency Services £'000	Media & Analysis £'000	Unallocated £'000	Total Group £'000
Revenue	8,053	9,399	(191)	17,261
Direct costs	<u>(1,058)</u>	<u>(1,123)</u>	<u>191</u>	<u>(1,990)</u>
Gross profit	6,995	8,276	-	15,271
Operating expenses excluding depreciation, amortisation, exceptional items, acquisition related costs and charges for share based payments	<u>(5,853)</u>	<u>(6,038)</u>	<u>(1,404)</u>	<u>(13,295)</u>
Operating profit/(loss) before depreciation, amortisation, exceptional items, acquisition related costs and charges for share based payments	1,142	2,238	(1,404)	1,976
Depreciation	(126)	(58)	(4)	(188)
Amortisation	(458)	(1,309)	-	(1,767)
Compensation for loss of office	(37)	-	-	(37)
Acquisition related costs	(106)	(1,035)	-	(1,141)
Credit for share based payments	-	-	5	5
Operating profit / (loss)	<u>415</u>	<u>(164)</u>	<u>(1,403)</u>	<u>(1,152)</u>
Finance costs				<u>(135)</u>
Loss before tax				<u>(1,287)</u>
Tax expense				<u>(9)</u>
Loss for the period				<u>(1,296)</u>

4. Segment information (unaudited) (continued)

Year ended 31 March 2015 (audited)

	Agency Services £'000	Media & Analysis £'000	Unallocated £'000	Total £'000
Revenue	15,491	18,708	(410)	33,789
Direct costs	<u>(1,932)</u>	<u>(2,185)</u>	<u>414</u>	<u>(3,703)</u>
Gross profit	13,559	16,523	4	30,086
Operating expenses excluding depreciation, amortisation,				

exceptional items, acquisition related costs and charges for share based payments	(11,465)	(11,943)	(2,615)	(26,023)
Operating profit/(loss) before depreciation, amortisation, exceptional items, acquisition related costs and charges for share based payments	2,094	4,580	(2,611)	4,063
Other operating income	-	-	57	57
Depreciation	(264)	(108)	(8)	(380)
Amortisation	(916)	(2,558)	-	(3,474)
Compensation for loss of office	(63)	-	(10)	(73)
Acquisition related costs	(211)	(1,059)	-	(1,270)
Charges for share based payments	-	-	(13)	(13)
Operating profit / (loss)	640	855	(2,585)	(1,090)
Finance income				3
Finance costs				(272)
Loss before tax				(1,359)
Tax expense				(119)
Loss for the period				(1,478)

Total assets	Agency Services £'000	Media & Analysis £'000	Unallocated £'000	Total £'000
30 September 2015	24,016	27,817	(4,999)	46,834
31 March 2015	24,518	26,170	(2,962)	47,726
30 September 2014	24,487	28,772	(2,834)	50,425

5. Tax expense (unaudited)

A reconciliation of the charge that would result from applying the standard UK corporation tax rate to profit before tax to the tax charge is given below.

	Six months ended 30 Sept 2015 £'000	Six months ended 30 Sept 2014 £'000	Audited year ended 31 March 2015 £'000
Recognised in the consolidated statement of comprehensive income:			
Current year tax	273	308	765
Origination and reversal of temporary differences	(100)	(299)	(646)
Total tax charge	173	9	119
Profit/(loss) before tax	162	(1,287)	(1,359)
Tax charge thereon at UK corporation tax rate of 20% (2014: 21%)	32	(270)	(285)
Effects of:			
Non-deductible expenses	54	240	403
Other	87	39	(27)
Prior year adjustment	-	-	28
Total tax charge	173	9	119

6. Profit/(loss) per share (unaudited)

Six months ended 30 Sept 2015	Six months ended 30 Sept 2014	Audited year ended 31 March 2015
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	Pence per share	Pence per share	Pence per Share
Basic earnings/(loss) per share	0.03p	(1.74p)	(1.91p)
Diluted earnings/(loss) per share	0.03p	(1.70p)	(1.75p)

Earnings/(loss) per share has been calculated by dividing the loss attributable to shareholders by the weighted average number of ordinary shares in issue during the period. The calculations of basic and diluted loss per share are:

	Six months ended 30 Sept 2015 £'000	Six months ended 30 Sept 2014	Audited year ended 31 March 2015 £'000
Profit/(loss) for the period from continuing operations	21	(1,296)	(1,457)
Weighted average number of ordinary shares in issue:	Number '000	Number '000	Number '000
Basic	76,260	74,505	76,260
Adjustment for share options, warrants and contingent shares	6,771	1,755	6,771
Diluted	83,031	76,260	83,031

Adjusted earnings per share

	Six months ended 30 Sept 2015 Pence per share	Six months ended 30 Sept 2014 Pence per share	Audited year ended 31 March 2015 Pence per Share
Basic adjusted earnings per share	1.46p	1.76p	3.45p
Diluted adjusted earnings per share	1.34p	1.72p	3.17p

Adjusted earnings per share have been calculated by dividing the profit attributable to shareholders before other income, amortisation, impairment and charges for share based payments by the weighted average number of ordinary shares in issue during the period. The numbers used in calculating the basic and diluted adjusted earnings per share are reconciled below:

	Six months ended 30 Sept 2015 £'000	Six months ended 30 Sept 2014 £'000	Audited year ended 31 March 2015 £'000
Profit/(loss) before tax and impairment	162	(1,287)	(1,359)
Amortisation	787	1,767	3,474
Acquisition related costs	213	1,141	1,270
Charge/(credit) for share based payments	226	(5)	13
Adjusted profit attributable to shareholders	1,388	1,616	3,398

Current period tax charge	(273)	(308)	(765)
	<u>1,115</u>	<u>1,308</u>	<u>2,633</u>

7. Bank overdraft, borrowings and loans (unaudited)

	30 Sept 2015	30 Sept 2014	Audited 31 March 2015
Summary	£'000	£'000	£'000
Bank overdraft	184	-	-
Borrowings, undiscounted cash flows	<u>6,206</u>	<u>6,719</u>	<u>6,188</u>
	<u>6,390</u>	<u>6,719</u>	<u>6,188</u>
Borrowings are repayable as follows:			
Within 1 year			
Bank overdraft	184	-	-
Borrowings	<u>4,612</u>	<u>4,062</u>	<u>4,062</u>
Total due within 1 year	<u>4,796</u>	<u>4,062</u>	<u>4,062</u>
In more than one year but less than two years	1,062	1,062	1,063
In more than two years but less than three years	532	1,063	1,063
In more than three years but less than four years	-	532	-
Total amount due	<u>6,390</u>	<u>6,719</u>	<u>6,188</u>
Average interest rates at the balance sheet date were:			
	%	%	%
Overdraft	2.75	2.75	2.75
Term loan	3.56	3.25	3.56
Revolving credit facility	<u>3.51</u>	<u>3.25</u>	<u>3.51</u>

As the loans are at variable market rates their carrying amount is equivalent to their fair value.

The borrowing facilities available to the Group at 30 September 2015 were £2.0 million (2014: £2.5 million) and, taking into account cash balances within the Group, there was £1.8 million (2014: £3.8 million) of available borrowing facilities.

A composite accounting system is set up with the Group's bankers, which allows debit balances on overdraft to be offset across the Group with credit balances.

Reconciliation of net debt	Cash at bank and in hand	Overdraft	Borrowings	Net debt
	£'000	£'000	£'000	£'000
30 September 2015	1	(184)	(6,206)	(6,389)
31 March 2015	1,000	-	(6,188)	(5,188)
30 September 2014	<u>1,204</u>	<u>-</u>	<u>(6,719)</u>	<u>(5,515)</u>

8. Provisions (unaudited)

	30 Sept 2015	30 Sept 2014	Audited 31 March 2015
	£'000	£'000	£'000
At the beginning of the period	151	131	131
Additional provisions	10	20	27
At the end of the period	<u>161</u>	<u>151</u>	<u>158</u>

Provisions relate to leases in the Group where the commercial benefit has either ceased or will cease before the normal expiry period.

9. Share capital (unaudited)

Authorised:

	45p deferred shares	5p ordinary shares
	£'000	£'000
Authorised share capital at 31 March 2015 and 30 September 2015	45,000	10,000

Allotted, issued and fully paid

	45p deferred shares	5p ordinary shares	
	Number	Number	£'000
Issued share capital at 31 March 2015 and at 30 September 2015	67,378,520	76,359,385	34,139

No shares were issued in the period.

10. Related party transactions (unaudited)

There were no significant changes in the nature and size of related party transactions for the period from those disclosed in the Annual Report for the year ended 31 March 2015.

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