Ideagen PLC - IDEA Interim Results
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Ideagen PLC
("Ideagen" or the "Group")

Unaudited interim results for the six months ended 31 October 2014

Ideagen PLC (AIM: IDEA), a leading supplier of Information Management software to highly regulated industries, announces its unaudited interim results for the six months ended 31 October 2014.

Financial Highlights

- Revenue increased 53% to £5.65m (2013: £3.70m)
  - Underlying organic revenue growth of 10%*
  - Recurring revenues represent 86% of the fixed overhead base
- Adjusted EBITDA** increased by 23% to £1.46m (2013: £1.19m)
- Adjusted PBT*** increased by 18% to £1.29m (2013: £1.09m)
- Adjusted diluted EPS*** increased by 20% to 0.84p (2013: 0.70p)
- Cash generated by operations of £0.48m (2013: £0.02m)
- Net cash of £2.8m (30 April 2014: £4.0m; 31 October 2013: £5.3m)
- Net Assets of £14.0m (30 April 2014: £13.4m; 31 October 2013: £12.8m)
- 10% increase in interim dividend to 0.055 pence (2013: 0.05 pence)

*Underlying organic growth is calculated by comparing the results for the current period with the pro-forma results for the comparative period and excludes revenue generated from the cancelled VA Prism contract.
**Before share based paymentsof £0.09m (2013: £0.14m) and costs of acquiring businesses of £0.07m (2013: £0.07m).
***Before share based payments of £0.09m (2013: £0.14m), costs of acquiring businesses of £0.07m (2013: £0.07m) and amortisation of acquisition intangibles of £0.68m (2013: £0.36m).

Operational Highlights

- Acquisition and integration of EIBS Ltd ("EIBS") strengthening the Group's position in the UK Healthcare sector and providing the group with leading intranet, portal and mobile technology
- Launch of dart/Portal, a Patient Information Portal based on EIBS technology
- Largest single NHS contract win to date at Doncaster and Bassetlaw NHS Trust worth £1m
- Strong performance in the resurgent nuclear sector
- Strong account management and customer retention resulting in support and maintenance contract renewal rate of 97%

Post Period End Highlights

- Acquisition of Gael Limited ("Gael") for net cash consideration of £18m, transforming the Group's financial, product and market position
- New equity funding of £17.5m raised in oversubscribed placing to fund the acquisition of Gael and provide working capital

David Hornsby, CEO of Ideagen, commented:"We are delighted with progress made in the first half having met both our growth and strategic objectives for the period. Recurring revenues remain strong and we continue to win new contracts. Furthermore, in line with our strategy of acquiring businesses with strong IP and recurring revenues, we successfully acquired and integrated EIBS during the period and, post period end made the transformational acquisition of Gael, providing the Group with greater scale and an enhanced product proposition. Current trading remains in line with market expectations and the Directors look to the future with confidence."

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Chief Executive's Statement

I am pleased to announce our results for the six months ended 31 October 2014. Overall, the period saw further progress for the Group through continued organic revenue and profit growth and a further acquisition. There was continued investment in product development, sales resource and additional management alongside revenue growth of 53%, adjusted EBITDA growth of 23% and adjusted diluted EPS growth of 20%.

The focus of the Group remains the design and supply of Information Management software to organisations that operate within highly regulated industries.

The Group has established a global business supplying Governance, Risk and Compliance (GRC) solutions, predominantly to the Healthcare, Complex Manufacturing, Banking and Finance and the Aviation Sectors. The Group has, in parallel, leveraged its core technology and has acquired capability to build a UK business supplying content and clinical management solutions predominantly to the NHS.

Each of the Group's chosen markets require robust information systems and exhibit a high consequence of error should data and processes be compromised.

In June 2014, the Group completed the acquisition of EIBS Ltd ("EIBS"), a supplier of Intranet, Portal, and Mobile solutions. EIBS has annual revenues of approximately £1.4m of which £0.9 million is recurring, and in excess of 140 customers including 40 NHS Trusts.

Prior to the acquisition of EIBS, the Directors had identified a need to develop an Information Portal to enhance the Groups NHS proposition. EIBS has now been integrated into the Group and its technology underpins the Group's portal and mobile product roadmap whilst adding a valuable customer base generating recurring revenues.

The Group continues to benefit from robust recurring revenues across the business and has invested in additional resources to manage the customer base resulting in a maintenance and support renewal rate of 97%. Recurring revenues now represent 56% of our software and services revenue and cover 86% of the fixed overhead base.

Events after the end of the period

On 13 January 2015 the Group announced that it had completed the acquisition of Gael, a software company that provides solutions to help organisations manage Governance, Risk and Compliance (GRC) requirements, for net cash consideration of £18 million. The acquisition of Gael will enable further consolidation of the Group's current manufacturing and healthcare sectors and provides a strong entry point into the aviation sector all of which are subject to increasing regulatory pressures.

In order to part fund the initial cash consideration for the acquisition of Gael, the Company issued 51,470,589 new ordinary shares at 34 pence per share in a share placing which was completed on 9 January 2015. The gross proceeds of the placing before commissions and costs were £17.5 million.

Gael has a well dispersed customer base of over 1,000 customers and has a number of blue chip clients, including Emirates, BAE Systems, Dairy Crest and the NHS. The acquisition is in line with the Group's strategy of acquiring complementary businesses that have strong IP and significant recurring revenues. The addition of Gael to the Group has transformed our scale, market position and product capability.

Governance, Risk and Compliance (GRC)

For our customers, GRC represents a key corporate initiative for improving governance through more effective compliance and a clearer understanding of the impact of risk on business performance. The Group's expertise is the development and implementation of software tools that enable our customers to identify, assess and prioritise risk and to manage information to comply with regulations.

Highly regulated organisations are obliged to demonstrate compliance with industry standards, regulations and KPIs which acts as a compelling driver for investment in the Group's products. Increasingly such organisations are also required to demonstrate that they have the tools in place to proactively monitor and assess their operations to ensure that they can respond quickly to potential risks. The Group has made significant investment in R&D over the past few years as it has developed new products to meet the demand for "risk based compliance" solutions for its target markets.

The strict management of crucial content has been a core competence of the Group for a number of years and, following the recent acquisitions of Pentana Ltd and Gael, we can now combine audit and risk capability together with formal document control and business process management in the areas of competency, incident reporting and corrective action planning. This provides the Group with a broader integrated GRC proposition which we believe will be of interest to our enlarged customer base.

The Group's capability within GRC can be divided into four areas:

1. Risk Management

Identification and mitigation of risks is of increasing importance in almost every organisation, but given recent disasters and legal actions, having a reliable system of risk management is particularly important in the finance, pharmaceutical, energy and aviation sectors. The Group has been successfully supplying software to these sectors for many years. Customers include banks which need to demonstrate a system of operational risk management for compliance with Basel II and aviation companies that need to pro-actively assess risk in real time to improve safety.

2. Standards/Quality Compliance

The Group's solutions are used by companies to help them maintain compliance with internationally recognised standards and internal business processes. There are over 19,000 ISO standards which are published by the International Organisation for Standardisation.

Whilst the Group's software covers a number of specific standards relating to health and safety, information security and environmental compliance, the main standards which the Group's products help customers comply with are based around ISO9000 Quality Management. The ISO9000 family of standards are related to quality management systems and are designed to ensure that organisations meet the needs of customers and other stakeholders.

In the Directors' experience, successful Quality Management can improve business performance, often driving a positive effect on investment, market share growth, sales growth, margin expansion, increased competitive advantage and the avoidance of litigation.

3. Audit Management

As the GRC "third line of defence" after risk management and policy oversight, audit teams and the Audit Committees to which they report have a vital role in providing continued assurance on the governance of organisations. In providing that assurance, auditors of global organisations have to operate in situations where the technology may be slow or only allow occasional on-line working. The Group's audit management software uses the latest technologies to ensure that auditors can keep working effectively in global environments, while allowing central management reporting and review of their work on a single global database.

4. Audit Compliance

With its focus on the audit profession, Pentana has brought to the Group an added dimension in audit and financial regulatory compliance. 18 of the top 25 UK accounting firms use the Pentana Disclose™ software to ensure that their client's financial statements conform to UK disclosure requirements and this market position is also reflected in use of the software for compliance with International Financial Reporting Standards internationally. Pentana software is also used by audit regulators around the world to ensure that accounting firms of all sizes comply with the International Standards on Auditing.

Content and Clinical Solutions

The Directors believe that the UK healthcare market represents a significant growth opportunity for the Group following the dismantling of the NHS National Programme for IT ("NPfIT"). Many of the current IT drivers within the NHS are focused on improving healthcare governance through the implementation of more robust Information Management systems with the objective of improving service levels and patient care.

Through the acquisitions of Plumtree, MSS and EIBS, the Group has established a significant footprint in the UK Healthcare sector. The failure of the National Programme for IT to deliver an integrated patient records solution has provided an opportunity for agile vendors to provide point solutions to address specific information challenges.

This opportunity has been confirmed by Jeremy Hunt, Minister of State for Health, who has set objectives for a paperless NHS by 2018 with a budget being made available to achieve this. This strategy is supported by a funded programme aimed at improving information governance and reducing patient risk whilst delivering cost savings through the implementation of a digital patient record.

The Directors estimate that only approximately 30% of the 192 NHS Trusts in the United Kingdom have implemented a trust-wide Patient Document Repository and therefore believe that there is a significant market opportunity over the coming years.

To date the Group has supplied eleven NHS Trusts in England and Scotland with a trust-wide solution to integrate patient documents across departments. Typically these solutions represent a major long term investment for a Trust and represent a significant increase in transaction value for the Group.

Following the acquisition of EIBS, the Group now has a further opportunity to supply Trust wide Information Portals to provide a single view of Patient Information fed from multiple data sources.

The Group is therefore now focused on providing digitised solutions in six key areas:

1) Clinical Enterprise Document Repository

2) Clinical Electronic Forms and Workflow

3) Clinical Enterprise Portal to provide a single patient view

4) Order communications to provide automated ordering of services between GPs and Hospitals

5) Emergency Department Management

6) Mobile Solutions

The primary market for these solutions are the 166 Acute Trusts within England, the 14 Regional Health Boards in Scotland, 7 Local Health Boards in Wales and 5 Health Trusts in Northern Ireland. The Group has also identified an emerging opportunity for Order Communications software at hospitals in the Benelux region and private laboratories within the UK.

Staffing and Infrastructure

The Group has implemented a fully integrated Group structure with functions covering Sales and Marketing, Customer Services and Support, Research and Development and Finance and Administration and a member of each function is represented on the executive management team.

Following the acquisition of Gael the Group currently has 243 employees across the following functions: Sales and Marketing - 60, Customer Services and Support - 78, Research and Development - 79, Finance and Administration - 24, Executive Directors 2.

Current Trading & Outlook

The Group has a solid platform of contracted recurring and project revenue and a strong pipeline of new sales opportunities. The Board is therefore confident that the Group's momentum and enhanced scale following the Gael acquisition will continue to deliver strong and profitable growth this year and beyond.

David Hornsby

Financial Review

Revenue for the six months ended 31 October 2014 increased by 53% to £5.65m (2013: £3.70m). Within this, underlying organic revenue growth was 10% based on a comparison of revenue in the current period with pro-forma revenue for the comparative period adjusted to include the EIBS, Pentana and MSS acquisitions for the same time period and excluding revenue generated from the cancelled VA PRISM contract of £273,000 in the 6 months to 31 October 2013.

Adjusted EBITDA increased by 23% to £1.46m (2013: £1.19m). Amortisation of acquisition intangibles of £0.68m (2013: £0.36m) represents the majority of the total depreciation and amortisation charge of £0.85m (2013: £0.47m).

The adjusted group tax charge of £0.20m (2013: £0.20m), excluding the deferred tax credit of £0.13m (2013: £0.07m) on amortisation of acquisition intangibles, benefitted from lower tax rates and R&D tax credits. This represents 16% (2013: 19%) of adjusted PBT of £1.29m (2013: £1.09m).

As a result of the above, adjusted diluted earnings per share increased by 20% to 0.84p (2013: 0.70p).

The Group's financial position has continued to strengthen with net assets increasing to £14.0m at 31 October 2014 (30 April 2014: £13.4m; 31 October 2013: £12.8m). Intangible assets increased to £13.4m (30 April 2014: £11.8m; 31 October 2013: £8.6m) mainly through business acquisitions. Net current assets at 31 October 2014 were £1.79m (30 April 2014: £2.6m; 31 October 2013: £4.73m), the reduction resulting primarily from the utilisation of the Group's cash balances to make business acquisitions.

Cash balances at 31 October 2014 were £2.8m (30 April 2014: £4.0m; 31 October 2013: £5.3m). Cash generated by operations for the 6 months to 31 October 2014 amounted to £0.48m (2013: £0.02m). Cash generation in the period was adversely affected by cash outflows connected with unusually high hardware purchases towards the end of the financial year ended 30 April 2014. The net cash outflow on the acquisition of EIBS during the period was £1.26m.

Events after the end of the reporting period

On 13 January 2015, Ideagen acquired the whole of the issued share capital of Gael Limited ("Gael"), a company domiciled in Scotland. The initial cash consideration at completion was £17.7m. Gael had approximately £2.9m of cash reserves at completion, so the initial net cash consideration was approximately £14.8m. Two further cash payments of £1.6m each are due on the first and second anniversaries of the completion date.

In order to part fund the initial cash consideration for the acquisition of Gael, the Company issued 51,470,589 new ordinary shares at 34 pence per share in a share placing which was completed on 9 January 2015 on the admission of these shares to trading on AIM. The gross proceeds of the placing before commissions and costs were £17.5m.

Dividend

The Directors intend to increase the interim dividend by 10% to 0.055 pence per share (2013: 0.05 pence per share). The dividend will be paid on 11 March 2015 to shareholders on the register on 20 February 2015. The corresponding ex-dividend date is 19 February 2015.

Graeme Spenceley - Finance Director

Ideagen plc

Consolidated Statement of Comprehensive Income for the six months ended 31 October 2014

	Six months ended 31 October 2014 £'000	**Six months ended 31 October 2013 £'000**
Revenue	5,653	3,704
Cost of sales	(949)	(589)
Gross profit	4,704	3,115
Operating costs	(3,247)	(1,923)
Profit from operating activities before depreciation, amortisation, share-based payment charges and exceptional items	1,457	1,192
Depreciation and amortisation	(847)	(469)
Share-based payment charges	(85)	(142)
Costs of acquiring businesses	(74)	(72)
Profit from operating activities	451	509
Finance income	2	6
Profit before taxation	453	515

Taxation expense	(75)	(137)
Profit for the period	378	378
Other comprehensive income		
Exchange differences on translating foreign operations	13	(7)
Total comprehensive income for the period attributable to the owners of the parent company	391	371
Earnings per share	**Pence**	**Pence**
Basic	0.31	0.31
Diluted	0.29	0.30

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Consolidated Statement of Financial Position at 31 October 2014

	31 October 2014	**30 April 2014**	**31 October 2013**
	£'000	**£'000**	**£'000**
Assets and liabilities			
Non-current assets			
Intangible assets	13,419	11,807	8,616
Property, plant and equipment	202	166	176
Deferred income tax assets	171	173	186
	13,792	12,146	8,978
Current assets			
Inventories	96	389	-
Trade and other receivables	4,024	3,637	3,020
Cash and cash equivalents	2,806	4,011	5,273
	6,926	8,037	8,293
Current liabilities			
Trade and other payables	1,623	2,421	1,495
Contingent consideration on business combinations	327	327	25
Current income tax liabilities	492	283	430
Deferred revenue	2,697	2,356	1,565
Deferred consideration on business combinations	-	50	50
	5,139	5,437	3,565
Non-current liabilities			
Deferred income tax liabilities	1,611	1,377	911

Net assets	13,968	13,369	12,795

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Consolidated Statement of Financial Position at 31 October 2014 (continued)

	31 October 2014	**30 April 2014**	**31 October 2013**
	£'000	**£'000**	**£'000**
Equity			
Issued share capital	1,229	1,219	1,219
Share premium	6,983	6,870	6,870
Merger reserve	1,167	1,167	1,167
Share-based payments reserve	635	596	453
Retained earnings	3,944	3,520	3,086
Foreign currency translation reserve	10	(3)	-
Equity attributable to owners of the parent	13,968	13,369	12,795

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Consolidated Statement of Cash Flows for the six months ended 31 October 2014

	Six months ended 31 October 2014	**Six months ended 31 October 2013**
	£'000	£'000
Cash flows from operating activities		
Profit for the period	378	378
Depreciation of property, plant and equipment	60	53
Amortisation of intangible non-current assets	787	416
Business acquisition costs in profit or loss	74	72
Share-based payment charge	85	142
Finance income recognised in profit or loss	(2)	(6)
Taxation charge recognised in profit or loss	75	137
Net foreign exchange loss in profit or loss	(1)	8
Decrease in inventories	293	-
(Increase) in trade and other receivables	(36)	(1,051)
(Decrease) in trade and other payables	(1,059)	(205)
(Decrease)/increase in deferred revenue	(173)	74
Cash generated by operations	481	18
Interest received	2	7
Income tax repaid/(paid)	64	(77)
Business acquisition costs paid	(146)	(72)
Net cash generated/(used) by operating activities	401	(124)
Cash flows from investing activities		
Payments of deferred consideration on business combinations	(50)	(106)
Net cash outflow on acquisition of businesses net of cash acquired	(1,259)	(589)
Payments for development costs	(368)	(238)

Payments for property, plant and equipment	(65)	(30)
Net cash used by investing activities	(1,742)	(963)
Cash flows from financing activities		
Proceeds from issue of shares under share option scheme	123	5
Net cash generated by financing activities	123	5
Net decrease in cash and cash equivalents during the period	(1,218)	(1,082)
Cash and cash equivalents at the beginning of the period	4,011	6,372
Effect of exchange rate changes on cash balances held in foreign currencies	13	(17)
Cash and cash equivalents at the end of the period	2,806	5,273

Ideagen plc: Consolidated Statements of Changes in Equity

	Share capital	Share premium	Merger Reserve	Share-based payments reserve	Retained earnings	Foreign currency translation reserve	Total attributable to owners of the parent
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
For the six months to 31 October 2014							
At 1 May 2014	1,219	6,870	1,167	596	3,520	(3)	13,369
Profit for the period	-	-	-	-	378	-	378
Share-based payments	-	-	-	85	-	-	85
Shares issued under share option scheme	10	113	-	-	-	-	123
Transfer on exercise of share options	-	-	-	(46)	46	-	-
Other comprehensive income for the period	-	-	-	-	-	13	13
At 31 October 2014	**1,229**	**6,983**	**1,167**	**635**	**3,944**	**10**	**13,968**
For the six months to 31 October 2013							
At 1 May 2013	1,217	6,867	1,167	313	2,706	7	12,277
Profit for the period	-	-	-	-	378	-	378
Share-based payments	-	-	-	142	-	-	142
Shares issued under share option scheme	2	3	-	-	-	-	5
Transfer on exercise of share options	-	-	-	(2)	2	-	-
Other comprehensive income for the period	-	-	-	-	-	(7)	(7)
At 31 October 2013	**1,219**	**6,870**	**1,167**	**453**	**3,086**	**-**	**12,795**

Ideagen plc: Consolidated Statement of Changes in Equity for the year ended 30 April 2014

	Share capital	Share premium	Merger reserve	Share-based payments reserve	Retained earnings	Foreign currency translation reserve	Total attributable to owners of the parent
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 May 2013	**1,217**	**6,867**	**1,167**	**313**	**2,706**	**7**	**12,277**

Shares issued under share option scheme	2	3	-	-	-	-	5
Profit for the year	-	-	-	-	873	-	873
Other comprehensive income for the year	-	-	-	-	-	(10)	(10)
Share-based payments	-	-	-	285	-	-	285
Transfer on exercise of share options	-	-	-	(2)	2	-	-
Equity dividends paid	-	-	-	-	(61)	-	(61)
Balance at 30 April 2014	**1,219**	**6,870**	**1,167**	**596**	**3,520**	**(3)**	**13,369**

Ideagen plc

Notes to the interim financial information

1 Basis of information

The interim financial information for the 6 months ended 31 October 2014 and the six months ended 31 October 2013 included in this announcement is unaudited. The financial information for the year ended 30 April 2014 included in this announcement does not constitute the annual report and accounts of the Company for the year ended 30 April 2014 within the meaning of section 434 of the Companies Act 2006. The audited annual report and financial statements of the Company for the year ended 30 April 2014 has been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006 and did not include references to any matters to which the auditor drew attention by way of emphasis. Consistent accounting policies have been applied in the preparation of this information unless otherwise stated below.

2 Earnings per share information

Basic earnings per share is calculated by dividing the profit for the period attributable to the owners of the Company ('Earnings') by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by dividing Earnings by the weighted-average number of ordinary shares outstanding during the period as adjusted for the effect of all potentially dilutive shares, including share options.

In order to better demonstrate the performance of the Company, adjusted earnings per share calculations have also been presented which take into account items typically adjusted for by users of financial statements. The adjusted earnings and earnings per share information are shown below.

Earnings per share information	Six months ended 31 October 2014 £'000	Six months ended 31 October 2013 £'000
Profit for the period (Earnings)	378	378
Adjustments:		
Share-based payment charges	85	142
Deferred taxation on share-based payment charges	2	-
Costs of acquiring businesses	74	72
Amortisation of acquired intangibles	679	365
Deferred taxation on amortisation of acquired intangibles	(131)	(68)
Adjusted earnings	1,087	889
Adjusted tax charge	204	205

Adjusted profit before taxation	1,291	1,094
Weighted average number of shares	122,625,927	121,757,776
Diluted weighted average number of shares	129,543,520	126,895,594
Basic earnings per share	0.31 pence	0.31 pence
Diluted earnings per share	0.29 pence	0.30 pence
Basic adjusted earnings per share	0.89 pence	0.73 pence
Diluted adjusted earnings per share	0.84 pence	0.70 pence

3 Events after the end of the reporting period: Share placing and acquisition of a business

On 13 January 2015, Ideagen plc acquired the whole of the issued share capital of Gael Limited ("Gael"), a company domiciled in Scotland. The acquisition of Gael is expected to enhance the group's existing business through the addition of strong IP in the area of Governance, Risk and Compliance ("GRC") together with significant recurring revenues. The acquisition will enable further consolidation of the sectors within which the Group currently operates, namely healthcare and manufacturing, together with a strong entry point into the aviation sector.

The initial cash consideration at completion was £17.7 million. Gael had approximately £2.9 million of cash reserves at completion, so the initial net cash consideration was approximately £14.8 million. Two further cash payments of £1.6 million each are due on the first and second anniversaries of the completion date.

Some aspects of the initial accounting for the acquisition and in particular an assessment of the fair value of the intangible assets acquired in the business combination have not yet been completed and accordingly information has not been presented on assets and liabilities assumed at the date of acquisition.

In order to part fund the initial cash consideration for the acquisition of Gael, the Company issued 51,470,589 new ordinary shares at 34 pence per share in a share placing which was completed on 9 January 2015 on the admission of these shares to trading on AIM. The gross proceeds of the placing before commissions and costs were £17.5 million.

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