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 2016

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 2016.

Financial Highlights

- Revenue increased by 22% to £12.02 million (2015: £9.87 million)
    - Underlying organic revenue growth of 16%
    - Recurring revenues represent 56% (2015: 53%) of overall revenues and are equivalent to 90% (2015: 87%) of fixed operating costs
- Adjusted diluted EPS** increased by 28% to 1.25p (2015: 0.98p)
- Adjusted EBITDA* increased by 29% to £3.11 million (2015: £2.41 million)
- Adjusted PBT** increased by 23% to £2.63 million (2015: £2.13 million)
- Cash generated by operations of £2.98 million (2015: £1.15 million)
- Net cash of £4.82 million (30 April 2016: £6.32 million; 31 October 2015: £5.44 million)
- 11% increase in interim dividend to 0.068p (2015: 0.061p)

*Before share based payments and exceptional items
**Before share based payments, amortisation of acquisition intangibles and exceptional items

Operational Highlights

- Acquisition of Covalent Software Ltd and Logen adding IP, recurring revenues and over 200 customers to the Group
- Acquisition of IPI Solutions Ltd post period end
- Significant progress within cloud business
    - 37 new SaaS customer wins
    - 7 new Enlighten customer wins including Air Transat, Telefonica and Johnson Matthey
- 59 new on premise customer wins including KLM, Medway NHS Foundation Trust and Sabic Kemya
- Strong customer retention - 98% maintenance and support contract renewal rate
- Significant contract extensions from existing customers including Babcock, BDO, Jaguar Land Rover, Imperial Tobacco, Great Ormond Street Hospital and DHL

David Hornsby, CEO of Ideagen, commented: "We are delighted to report on another strong performance from the Group across all of our vertical markets during the first half of the year.

As well as recording significant organic growth and a further increase in revenues, the Group has successfully acquired and integrated two companies in the period which marks a return to our strategy of acquiring businesses with strong IP and recurring revenues. In addition, we have achieved strong momentum within our SaaS based business which has helped increase recurring revenues and supports the Group's medium term strategy to transition from a predominantly perpetual to a predominantly SaaS based licence model.

Current trading is robust and remains in line with both market and management expectations. As such, long term prospects for the Group remain positive and we are confident in the outlook for the rest of the year."

Enquiries:

Ideagen plc 01629 699100
David Hornsby, Chief Executive
Graeme Spenceley, Finance Director
Joe O'Brien, Investor Relations

finnCap Limited 020 7220 0500
Stuart Andrews/James Thompson (Nomad)
Stephen Norcross (Corporate Broking)

The information communicated in this announcement is inside information for the purposes of Article 7 of Regulation 596/2014.

About Ideagen plc

Ideagen is a UK company quoted on the London Stock Exchange AIM market (Ticker: IDEA.L). Ideagen is a supplier of Information Management software with operations in the UK, the United States and the Middle East. The Company specialises in GRC (Governance, Risk and Compliance) and Content and Clinical solutions with a primary focus on organisations operating within highly regulated industries. With an excellent portfolio of software products, Ideagen is able to provide complete information lifecycle solutions that enable organisations to reduce risk, meet their regulatory and compliance standards, helping them to reduce costs and improve efficiency.

The Group has a customer base of over 3,000 organisations using the Ideagen suite of products, including many blue chip names such as BAE Systems, Emirates, Shell and the European Central Bank as well as 150 hospitals in the UK and US.

For further information please visit www.ideagen.com

CHIEF EXECUTIVE'S REVIEW

Business Review

I am pleased to report on another excellent performance for the six months ended 31 October 2016 combining strong organic revenue growth of 16% with the acquisitions of Covalent Software Ltd and Logen. Since the end of the period, the group has also completed the acquisition of IPI Solutions Ltd.

The Group's core expertise is in the development and implementation of Governance, Risk and Compliance (GRC) software tools that enable customers to identify, assess and prioritise risk and to manage information in line with rigorous regulations. In each of our chosen verticals, our customers are increasingly required to take a holistic view of risk management, internal audit and compliance, with many organisations at the beginning of the adoption phase of high value enterprise-wide solutions.

Demand in all of the Group's key GRC verticals continues to be robust, with new customer wins achieved across a range of industries. Growth in the period was driven by several new customer wins and the expansion of our footprint within the existing customer base - which now stands at more than 3,000 organisations globally. New wins in the period included Air Transat, Booz Allen Hamilton, Telefonica/ISS, Johnson Matthey, KLM, Medway NHS Foundation Trust and Sabic Kemya. Significant orders from the existing customer base include Babcock, BDO, Jaguar Land Rover, Imperial Tobacco, Great Ormond Street Hospital and DHL.

The Group continues to benefit from a strong and growing base of recurring revenues, which now represent 56% of total revenue (2015: 53%), equivalent to 90% of the fixed overhead base (2015: 87%). Most of this growth is in respect of recurring SaaS revenues which represented 14% (Year to 30 April 2016: 9%) of total revenues.

The Group has continued to invest in product development and further sales resources and we view this as key to the future long term growth of the business.

Markets: GRC and Content & Clinical

The Group operates in two areas: supplying GRC solutions to highly regulated industries including Healthcare, Manufacturing, Life Sciences, Finance and Transport; and the supply of Content and Clinical management solutions, predominately to the NHS. The Group has established a broad customer base across both areas, including 7 of the top 10 UK accounting firms; 125 of the 165 English NHS Acute Trusts; all 7 of the top 7 Global Aerospace & Defence companies; and 14 of the 14 Scottish Regional Health Boards.

GRC solutions account for an increasing proportion of the group's revenues. GRC revenues were 82% (2015: 77%) of total revenues in the period and this area will continue to be the core driver of growth for the overall business. GRC enjoyed strong organic revenue growth of 18% in the period in line with the enhanced focus on this area. The market remains highly fragmented - there is no one dominant supplier but rather numerous vendors providing niche product sets. Management believes that, with our broad product portfolio and best of breed capabilities, the Group has realised only a small proportion of the available opportunity to date.

Revenue derived from our Content and Clinical solutions currently represents 18% (2015: 23%) of total group revenues. Although Content and Clinical revenues represent a reducing proportion of total group revenues, this area has now stabilised with an 8% growth in revenues in the period ending the pattern of declining revenues experienced over the last two years. As mentioned in previous reports, this area of the Group's operations continues to be impacted by delays in decision making within acute NHS trusts, typically around enterprise patient information opportunities. This is due to budgetary constraints at acute trust level as no additional technology fund has been made available for the current financial year to support the Government Paperless NHS strategy. However, outlook for the business remains encouraging over the medium term as it is likely that the central technology fund will be reintroduced in the coming months, following which there will be a locally funded Sustainability and Transformation Plan (STP) which will focus on digital initiatives at acute trust level.

Acquisitions

Covalent Software, acquired in August 2016, brings a complementary GRC cloud solution which further consolidates Ideagen's position in the NHS, local government and financial services verticals.

Logen, based in Bulgaria, specialises in the provision of audit software and related consultancy services and, as a former reseller of our GRC audit management and risk assessment solution, Pentana, its acquisition enables Ideagen to create a solid operational base in central Europe, enhancing our sales reach and future software development capacity.

These businesses have already been successfully integrated into the group.

IPI Solutions, acquired post period end, provides outstanding IP that is already integrated with the Group's Electronic Quality Management product 'Q-Pulse'. This extends our reach into the manufacturing process within three of our target verticals.

All three acquisitions enhance the Group's business platform. The Board continues to pursue acquisition opportunities in line with its stated strategy of acquiring complementary businesses that have strong IP and significant recurring revenues.

Product Strategy

''On Premise''
The focus for on premise product development going forward continues to be the closer integration of the established product set. Demand from customers continues to evolve towards the need for robust operational risk management across the enterprise combining the need for big data analysis with the escalation of information available within a corporate environment. We believe the optimum way to achieve this is through the implementation of a single, modular platform.

As such, our efforts will be on the closer integration of our best-in-breed product set to unify all product components (development standards, installation method, user interface) into a single standard format, and to enable product interoperability - or the exchange of data across each product - through a common service bus. This will allow us to rationalise the product set to avoid any duplicate functionality whilst providing a modular platform.

The ability to deliver this comprehensive capability through a modular portal will enable us to continue to pursue a 'land and expand' growth strategy as well as move into complementary industry verticals.

''Cloud''
To ensure that the Group takes advantage of the growing demand for cloud based solutions we have continued to invest in Enlighten, a risk-based, ultra-modern GRC software product. Enlighten has been designed for large enterprise and built for the cloud using Amazon Web Services (AWS). It contains all the rich features that any large, highly regulated organisation needs to achieve exceptional performance while managing compliance, quality and safety. Enlighten is suitable for large enterprises who have a dispersed workforce, require rapid deployment and fast access to a GRC platform often through a mobile device.

The Group enhanced its cloud based software offering with the acquisition of Covalent Software Ltd. The addition of the Covalent product, a cloud-based performance management software platform primarily for the Public Sector and Financial Services markets, will allow Ideagen's existing product set to become a broader and more valuable GRC solution, which will provide significant cross selling opportunities and a strong platform for future growth. Covalent's solutions are delivered via its cloud-based platform and further enhances Ideagen's cloud development strategy, which the Directors believe is an area of significant growth area for the Group.

Current Trading & Outlook
The market for GRC management solutions remains fragmented and the drivers are long term and highly strategic. Trading continues to remain robust while a healthy pipeline reinforces confidence in our forecasts.

Whilst we remain alert to prevailing economic and political conditions, the Group has a strong presence in a variety of different markets across the globe, which, together with our increasing levels of recurring revenue and repeat business from our 3,000 customer base, provides us with confidence in the future prospects of the Group.

David Hornsby
Chief Executive Officer

FINANCIAL REVIEW

Revenue for the 6 months ended 31 October 2016 increased by 22% to £12.02m (2015: £9.87 m) as a result of strong organic revenue growth of 16% and a contribution of £0.5m from the acquisitions of Covalent Software and Logen. Recurring revenues now represent 56% (2015: 53%) of overall revenues and are equivalent to 90% (2015: 87%) of fixed operating overheads. Strong customer retention continued in the period with a 98% (2015: 97%) renewal rate on maintenance and support contracts.

The group provides software solutions in two areas; GRC and Content and Clinical. GRC is the main area of focus for the group and this provides an increasing proportion of total revenues at 82% (2015: 77%). Organic revenue growth in GRC was strong in the period at 18%. Content and Clinical, which accounts for 18% of group revenues

(2015: 23%) is predominantly focused on content management for the NHS. It has seen revenues decline in recent periods however this stabilised in the first half of the year with organic revenue growth of 8%.

Adjusted EBITDA increased by 29% to £3.11m (2014: £2.41m). The adjusted EBITDA margin improved to 25.8% (2015: 24.4%) resulting from the gearing effect of strongly growing revenues while maintaining control of costs. Revenues are seasonally biased towards the second half of the year thereby resulting in higher adjusted EBITDA margins in the second half and for the year as a whole.

The group has significant intangible assets from the acquisitions it has made. The amortisation of these acquired intangibles of £1.97m (2015: £1.86m) represents the majority of the total depreciation and amortisation charge for the period of £2.45m (2015: £2.14m). The amortisation of development costs amounted to £0.37m (2015: £0.18m). The share-based payment charge of £0.51m (2015: £0.38m) relates to the group's equity-settled share option schemes including the group's Long Term Incentive Plan.

The adjusted group tax charge was £0.31m (2015: £0.31m) and is analysed in note 3. This has been adjusted to exclude the deferred taxation associated with the amortisation of acquired intangibles and share-based payment charges. The adjusted group tax charge represents 12% (2015: 15%) of adjusted PBT of £2.63m (2014: £2.13m). The Group continues to benefit from the availability of R&D taxation credits.

As a result of the above, adjusted diluted earnings per share increased by 28% to 1.25p (2015: 0.98p). Details of the calculation of adjusted earnings per share are provided in note 2.

The Group's financial position has continued to strengthen with net assets increasing to £34.7m (30 April 2016: £33.7m; 31 October 2015: £31.8m). Net current assets were reduced to £1.2m (30 April 2016: £3.8m) largely due to the use of cash resources to complete acquisitions. However, current liabilities includes £7.7m (30 April 2016: £6.6m) in respect of revenue invoiced on maintenance and support contracts which has been deferred to future periods in accordance with the group's accounting policy. This is not a cash liability.

The level of intangible assets increased to £36.9m (30 April 2016: £32.6m) mainly as a result of the intangibles acquired with Covalent Software. The Group also capitalised £0.93m (2015: £0.88m) of R&D development costs during the period which represented 7.7% (2015: 8.9%) of total revenues.

Cash generated by operations improved significantly and amounted to £3.0m (2015: £1.2m) representing 96% (2015: 48%) of adjusted EBITDA. Free Cash flow also improved significantly to £1.8m (2015: £0.04m) representing 59% (2015: 2%) of adjusted EBITDA. The net cash cost of the acquisitions of Covalent Software and Logen, completed in the period, amounting to £3.7m, was made wholly from the group's existing cash resources. The group ended the period with net cash balances of £4.8 million (30 April 2016: £6.3m).

Event after the end of the reporting period

On 8 December 2016, Ideagen acquired the whole of the issued share capital of IPI Solutions Limited, a company based in Mansfield. Net consideration payable is £5.54 million being gross consideration of £7.02million less £1.48 million of cash balances in the business acquired. The consideration is payable as to £4.42 million in cash plus £0.5 million of new Ideagen shares at completion plus deferred cash payments of £1.64 million 12 months after completion and £0.46 million 24 months after completion.

The £0.5 million of new Ideagen shares issued at completion is represented by 889,680 ordinary shares issued at 56.2 pence each being the average closing mid-market share price of Ideagen shares over the 20 business days immediately prior to completion.

Dividend

The Board proposes increasing the interim dividend by 11% to 0.068 pence per share (2015: 0.061 pence per share) payable on 15th March 2017 to shareholders on the register on 27th February 2017. The corresponding ex-dividend date is 24th February 2017.

Graeme Spenceley
Finance Director

Ideagen plc

Consolidated Statement of Comprehensive Income for the six months ended 31 October 2016

	Six months ended 31 October 2016	Six months ended 31 October 2015
	£'000	£'000
Revenue	12,024	9,867
Cost of sales	(1,436)	(1,206)
Gross profit	10,588	8,661
Operating costs	(7,481)	(6,254)
Profit from operating activities before depreciation, amortisation, share-based payment charges and exceptional items	3,107	2,407
Depreciation and amortisation	(2,446)	(2,141)
Share-based payment charges	(509)	(384)
Costs of acquiring businesses	(176)	-
Loss from operating activities	(24)	(118)
Finance income	-	3
Loss before taxation	(24)	(115)
Taxation credit (note 3)	26	121
Profit for the period	2	6
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translating foreign operations	380	(10)
Corporation tax on exercise of options	76	-
Total comprehensive income for the period attributable to the owners of the parent company	458	(4)

Earnings per share (note 2)	**Pence**	**Pence**
Basic	0.00	0.00
Diluted	0.00	0.00

Ideagen plc

Consolidated Statement of Financial Position at 31 October 2016

	31 October 2016 £'000	30 April 2016 £'000	31 October 2015 £'000
Assets and liabilities			
Non-current assets			
Intangible assets	36,887	32,572	33,891
Property, plant and equipment	445	433	339
Deferred income tax assets	777	877	962
	38,109	33,882	35,192
Current assets			
Inventories	16	33	55
Trade and other receivables	8,941	8,244	7,312
Cash and cash equivalents	4,817	6,317	5,442
	13,774	14,594	12,809
Current liabilities			
Trade and other payables	3,154	2,506	2,206
Contingent consideration on business combinations	-	-	47
Current income tax liabilities	94	13	129
Deferred revenue	7,686	6,603	6,108
Deferred consideration on business combinations	1,623	1,623	1,628
	12,557	10,745	10,118
Non-current liabilities			
Deferred consideration on business combinations	-	-	1,613
Deferred income tax liabilities	4,587	4,048	4,434
	4,587	4,048	6,047
Net assets	34,739	33,683	31,836

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Consolidated Statement of Financial Position at 31 October 2016 (continued)

	31 October 2016 £'000	30 April 2016 £'000	31 October 2015 £'000
Equity			
Issued share capital	1,815	1,790	1,789
Share premium	23,766	23,598	23,568
Merger reserve	1,167	1,167	1,167
Share-based payments reserve	1,138	1,482	956
Retained earnings	6,392	5,565	4,373
Foreign currency translation reserve	461	81	(17)
Equity attributable to owners of the parent	34,739	33,683	31,836

Ideagen plc
Consolidated Statement of Cash Flows for the six months ended 31 October 2016

	Six months ended 31 October 2016 £'000	Six months ended 31 October 2015 £'000
Cash flows from operating activities		
Profit for the period	2	6
Depreciation of property, plant and equipment	107	98
Loss on disposal of property, plant and equipment	-	2
Amortisation of intangible non-current assets	2,339	2,043
Business acquisition costs in profit or loss	176	-
Share-based payment charges in profit or loss	509	384
Finance income recognised in profit or loss	-	(3)
Taxation credit recognised in profit or loss	(26)	(121)
Decrease in inventories	17	-
(Increase) / decrease in trade and other receivables	(108)	19
Increase / (decrease) in trade and other payables	194	(1,158)
Decrease in deferred revenue	(232)	(119)
Cash generated by operations	2,978	1,151
Interest received	-	3

Income tax repaid	42	8
Business acquisition costs paid	(164)	(102)
Net cash generated by operating activities	2,856	1,060
Cash flows from investing activities		
Net cash outflow on acquisition of businesses net of cash acquired	(3,657)	-
Payments for development costs	(932)	(884)
Payments for property, plant and equipment	(90)	(150)
Proceeds of disposal of property, plant and equipment	-	12
Net cash used by investing activities	(4,679)	(1,022)
Cash flows from financing activities		
Proceeds from issue of shares under share option scheme	193	141
Net cash generated by financing activities	193	141
Net (decrease) / increase in cash and cash equivalents during the period	(1,630)	179
Cash and cash equivalents at the beginning of the period	6,317	5,266
Effect of exchange rate changes on cash balances held in foreign currencies	130	(3)
Cash and cash equivalents at the end of the period	4,817	5,442

Ideagen plc: Consolidated Statement of Changes in Equity for the six months ended 31 October 2015

	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 2015	**1,773**	**23,443**	**1,167**	**653**	**4,160**	**(7)**	**31,189**
Shares issued under share option scheme	16	125	-	-	-	-	141
Share-based payments	-	-	-	384	-	-	384
Transfer on exercise of share options	-	-	-	(81)	81	-	-
Taxation on share-based payments in equity	-	-	-	-	126	-	126
Total transactions with owners recognised directly in equity	16	125	-	303	207	-	651
Profit for the period	-	-	-	-	6	-	6
Other comprehensive income for the period	-	-	-	-	-	(10)	(10)
Total comprehensive income for the period	-	-	-	-	6	(10)	(4)
Balance at 31 October 2015	**1,789**	**23,568**	**1,167**	**956**	**4,373**	**(17)**	**31,836**

Ideagen plc: Consolidated Statement of Changes in Equity for the year ended 30 April 2016

	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 2015	**1,773**	**23,443**	**1,167**	**653**	**4,160**	**(7)**	**31,189**
Shares issued under share option scheme	17	155	-	-	-	-	172
Share-based payments	-	-	-	921	-	-	921
Transfer on exercise of share options	-	-	-	(92)	92	-	-
Taxation on share-based payments in equity	-	-	-	-	275	-	275
Equity dividends paid	-	-	-	-	(306)	-	(306)
Total transactions with owners recognised directly in equity	17	155	-	829	61	-	1,062
Profit for the year	-	-	-	-	1,317	-	1,317
Other comprehensive income for the year	-	-	-	-	27	88	115
Total comprehensive income for the year	-	-	-	-	1,344	88	1,432
Balance at 30 April 2016	**1,790**	**23,598**	**1,167**	**1,482**	**5,565**	**81**	**33,683**

Ideagen plc
Notes to the interim financial information

1 Basis of information

The interim financial information for the 6 months ended 31 October 2016 and the six months ended 31 October 2015 included in this announcement is unaudited. The financial information for the year ended 30 April 2016 included in this announcement does not constitute the annual report and accounts of the Company for the year ended 30 April 2016 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 2016 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 2016**	Six months ended 31 October 2015
	£'000	£'000
Profit for the period (Earnings)	2	6
Adjustments:		
Share-based payment charges	509	384
Deferred taxation on share-based payment charges	54	(64)
Costs of acquiring businesses	176	-
Amortisation of acquired intangibles	1,973	1,859
Deferred taxation on amortisation of acquired intangibles	(393)	(370)
Adjusted earnings	2,321	1,815
Weighted average number of shares	179,705,928	177,871,466
Diluted weighted average number of shares	186,201,454	186,023,737
Basic earnings per share	0.00 pence	0.00 pence
Diluted earnings per share	0.00 pence	0.00 pence
Basic adjusted earnings per share	1.29 pence	1.02 pence
Diluted adjusted earnings per share	1.25 pence	0.98 pence

3 Taxation

Further information on the taxation charge in the Statement of Comprehensive Income is as follows:

	Six months ended 31 October 2016 £'000	Six months ended 31 October 2015 £'000
Income taxation charge	145	60
Deferred tax credit on amortisation of acquisition intangibles	(393)	(370)
Deferred tax on share-based payment charges	54	(64)
Deferred tax charge on utilisation of tax losses	48	104
Deferred tax charge on development costs	120	149
Total deferred income taxation credit	(171)	(181)
Total taxation credit	(26)	(121)

4 Adjusted profit before taxation and adjusted taxation charge

	6 months ended 31 October 2016 £'000	**6 months ended 31 October 2015 £'000**
Adjusted earnings (note 2)	2,321	1,815
Adjusted taxation charge (below)	313	313
Adjusted profit before taxation	**2,634**	**2,128**
Taxation in the Statement of Comprehensive Income	(26)	(121)
Add back:		
Deferred taxation credit on amortisation of acquisition intangibles (note 3)	393	370
Deferred taxation on share based payment charges	(54)	64
Adjusted taxation charge	**313**	**313**
Adjusted taxation charge based on adjusted profit before taxation	11.9%	14.7%

This information is provided by RNS
The company news service from the London Stock Exchange