

Printing.com plc

Half Yearly Report

RNS Number : 8340Q

Printing.com plc

12 November 2012

12 NOVEMBER 2012

Printing.com plc
 ("Printing.com" or "the Company")

Unaudited Interim Results for the period ended 30 September 2012

Financial Highlights	Six months to 30 September 2012	Six months to 30 September 2011	Change
Turnover	£10.43m	£10.73m	-2.8%
EBITDA before exceptional costs*	£1.35m	£1.50m	-10.0%
EBITDA	£1.19m	£1.50m	-20.7%
Profit before tax and exceptional costs*	£0.51m	£0.51m	-
Exceptional costs*	£0.16m	-	
Profit before tax	£0.35m	£0.50m	-30.0%
EPS - Basic	0.53p	0.81p	-34.6%
EPS - Fully Diluted	0.53p	0.80p	-33.8%
Dividend	1.05p	1.05p	
Capital Expenditure	£0.57m	£0.65m	
Net Cash	£1.14m	£0.96m	
Net Funds**	£1.10m	£0.65m	

*Exceptional costs of £0.16m represented a severance payments.

**Net funds is the net of cash and cash equivalents less other interest bearing loans and borrowings

Operational highlights

- Profit before tax and exceptional costs maintained
- Encouraging growth - Drukland.be, Flyerzone UK and BrandDemand UK
- New initiatives moving from development to deployment
- Agreement with Silicon Publishing Inc.

- **Internationalisation of TemplateCloud.com**
- **W3P - white label 'reseller' formula on cusp of launch**
- **Interim dividend maintained**

For further information:

Printing.com plc

Tony Rafferty (Chief Executive) 07966 517 336
 Alan Roberts (Finance Director) 0161 848 5713

N+1 Singer (Nominated Adviser)

Richard Lindley 0113 241 0126
 Sandy Fraser 0131 529 0272

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Unaudited Interim Results for the period ended 30 September 2012

Chairman's & Chief Executive's Statement

Trading Results, Cash and Dividend

Group turnover marginally decreased to **£10.43m** (2011: £10.73m) a fall of **2.8%**.

EBITDA before exceptional costs was **£1.35m** down from £1.50m a decrease of **10.0%**. Pre Tax Profit before exceptional costs was maintained at **£0.51m**. Exceptional costs incurred during the interim period related to a severance payment made to Hans Scheffer, the MD of the Group's Dutch subsidiary Media Facility Group BV, of **£0.16m** reducing Pre Tax Profit to **£0.35m** (2011: £0.50m).

At 30 September 2012, the Company had cash-in-hand of **£1.14m** (2011: £0.96m). Cash generated by operating activities was **£0.60m** (2011: £0.95m). A Final Dividend of **£0.71m** was paid in the period (2011: £0.99m). During the period working capital increased by **£0.38m** (2011: £0.51m) and capital expenditure was **£0.57m** (2011: £0.65m), the majority reflecting the ongoing investment in the Company's software that underpins the new developments. Net funds at the close of the period were **£1.10m** (2011: £0.65m).

Capital Reduction

Having gained Shareholder support the Company received Court approval to the capital reorganisation on 8 August increasing distributable reserves in the Company by £4.08m through the cancellation of the share premium account.

Dividend

The Directors are declaring an Interim Dividend of **1.05p** per share (2011: 1.05p) to be paid on 14 December 2012 to shareholders on the register at 23 November 2012. The decision to declare an uncovered dividend reflects, in the short term, the underlying cash generation and prospects for the Company moving forward.

Trading Overview

Turnover contracted slightly to £10.43m (2011: £10.73m). This reflected similar underlying sales volumes across the Group but less favourable foreign exchange rates on revenue from the Group's eurozone Channels. Earnings were lower than anticipated due to lower sales across the UK and Irish Franchise Networks. In addition, the launch of some of the new initiatives centred on the adding of Templates to Group Channels took longer than envisaged.

It continued to be a frenetic period in the evolution of the Company's core systems however we are now at the point where the emphasis is moving from software development to deployment and monetisation.

UK Trading

Lower sales across the Franchise Network reflected the continued shift of micro businesses to ordering online. To counteract this, the new Printing.com formula went live just prior to the close of the Interim Period. This augments the Franchise offering with an online solution featuring the Company's Template technology. It allows micro businesses to order directly from the Printing.com website but also dovetails with the Franchise formula. Post launch, this initiative has had a positive impact on revenues for the Franchise Network and reversed some of the previous decline. We believe that this will gain momentum during the second half of the year.

BrandDemand UK continues to build momentum, achieving sales of £0.29m (2011: £0.09m). Similarly during the Interim Period, Flyerzone.co.uk made progress generating £0.27m (2011: £0.1m).

Netherlands Trading

Revenue from the Dutch online Channels (Flyerzone.nl, Drukland.nl) recorded a slight decline to £2.88m (2011: £3.13m). However, the underlying euro sales showed slight progression.

Post the close of the Interim Period, TemplateCloud was added to Drukland.nl allowing clients without a 'printable PDF' to order online. Whilst at an early stage, this initiative is generating incremental orders on a daily basis.

Belgium Trading

Notwithstanding currency fluctuations, Drukland.be exhibited strong growth with revenues of £0.58m (2011: £0.30m). Again, post the close of the Interim Period, Template functionality has been added to the Channel offering.

France Trading

Across Printing.com's French Franchise Network, Flyerzone.fr and BrandDemand, revenues increased to £0.27m (2011: £0.24m). As previously reported, we expect to add Templates to Flyerzone.fr and Printing.com in France during the Company's third quarter.

Ireland Trading

Trading in Ireland disappointed with revenue of £0.16m (2011: £0.20m). Templates will be added during the Company's third quarter.

Agreement with Silicon Publishing Inc (SPI)

Printing.com has entered into an agreement with Silicon Publishing Inc, the makers of the editing 'kernel' within the Company's Template system.

This agreement supersedes a previous contract that restricted the use of the editing 'kernel' to the Printing.com Franchise. The new agreement grants significantly broader rights to Printing.com to use the editing 'kernel' on a worldwide basis as part of its various proprietary software solutions.

The Directors believe that this agreement coupled with the Group's proprietary software and systems marks a step change in the opportunity to generate revenue in terms of licensing TemplateCloud.com and W3P.

UK Launch of W3P

The Bolt-on Franchise format was essentially a branded 'reseller' program coupled with the Company's Flyerlink software and other systems. In 2011 we paused the marketing of the Bolt-on format. The reality was for many prospective Bolt-on partners; print is a component of what they do along with graphic and website design. This divergence makes the Franchise Network less uniform and the Bolt-on format itself more challenging to promote.

Following the necessary software development W3P is on the cusp of being launched. It is essentially an alternative 'white label' reseller format which involves the licensing of the Company's systems and software but does not use the Printing.com brand, exclusive areas and the other elements of the Franchise formula.

The revenue streams for the W3P formula are centred on initial/monthly fees and small 'click charges' for the use of certain software functionality. W3P partners can buy print at transfer price in a similar manner to a Bolt-on Franchise.

With the launch of W3P the Company will benefit from a new impetus in the reseller market. This, we believe, will make a positive impact on earnings during the last quarter of the current financial year.

TemplateCloud.com

TemplateCloud.com is the Company's 'crowdsourced' graphic design initiative. Freelance graphic designers submit designs for flyers, leaflets and business cards, which are then converted by the Company's software into an editable online format.

During the previous 'Interim Report', when the TemplateCloud.com formula was introduced we reported that TemplateCloud was not a revenue stream in its own right. However, we have now identified what we believe is a significant opportunity to market TemplateCloud as a standalone revenue stream.

The Company will now grant licences to other online printers allowing them to 'bolt-on' the TemplateCloud.com functionality. A fee of circa £5-£20 is charged every time a Template is utilised.

Following the test marketing at trade shows in both Europe and the US, the first such licence has been granted and is on the cusp of going live. We are in advanced discussions with many other potential partners on both continents.

TemplateCloud.com is presently available with English, French and Dutch content. Swedish, German, Spanish, Italian and Portuguese content will be available early 2013. TemplateCloud.com is also being adapted for use in the US and Canada, taking into account imperial sizes, spelling and general parlance. It is our objective to grant in excess of 100 such licences worldwide.

Other International

The internationalisation of TemplateCloud.com prepares the way to augment the Company's Master Licence Agreements in New Zealand and the US. It also opens up certain other international licencing opportunities.

Current trading

Post the close of the Interim Period, trading has continued in a similar manner, essentially stronger across the online Channels and more challenging across the Franchise Network. Post the augmentation of the Printing.com Franchise Channel an upturn in revenues has been recorded.

Outlook

When we set out two years ago to adapt Printing.com into a hybrid online/offline model and establish the various new initiatives discussed in this report our objective was to do so whilst maintaining profitable trading, underlying cash generation, maintaining the fullest dividend possible and eliminating debt within the Group. As the Company's focus moves from development to deployment we believe we have achieved the essence of these objectives.

Templates have been added, or are on the cusp of being added, to all the Company's Channels and in TemplateCloud.com we now have a niche scaleable solution that has been readied for use in multiple languages and territories. With an encouraging sales pipeline, we now believe this will lead to many new partners.

In W3P we have an alternative 'reseller' format, which we believe is more in keeping with today's market than the Franchise format. Again we believe that this formula is scaleable and that a material number of W3P licenses will be granted.

In the short term we may still encounter earnings head winds as we commit more funds to market and refine these various new initiatives. Accordingly it is appropriate that we remain cautious in the short term but believe we have taken the right steps that will lead to progressive earnings growth.

Les Wheatley
Chairman
12 November 2012

Tony Rafferty
Chief Executive
12 November 2012

Printing.com plc
("Printing.com" or "the Company")

Unaudited Interim Results for the period ended 30 September 2012

Consolidated Statement of Comprehensive Income
for the six months ended 30 September 2012

	<i>Note</i>	<i>Unaudited Six months to 30 September 2012 £000</i>	<i>Unaudited Six months to 30 September 2011 £000</i>	<i>Year ended 31 March 2012 £000</i>
Revenue	3	10,425	10,728	21,768
<i>Raw materials and consumables used</i>		<i>(4,865)</i>	<i>(4,985)</i>	<i>(10,134)</i>
Gross profit		5,560	5,743	11,634
<i>Staff costs</i>		<i>(2,504)</i>	<i>(2,493)</i>	<i>(4,473)</i>
<i>Other operating charges</i>		<i>(1,706)</i>	<i>(1,754)</i>	<i>(3,727)</i>
<i>Depreciation and amortisation</i>		<i>(844)</i>	<i>(990)</i>	<i>(2,134)</i>
Operating profit before exceptional costs		506	506	1,300
<i>Exceptional costs</i>		<i>(156)</i>	-	-
Operating profit		350	506	1,300
<i>Financial income</i>		<i>6</i>	<i>11</i>	<i>14</i>
<i>Financial expenses</i>		<i>(11)</i>	<i>(17)</i>	<i>(56)</i>
Net financing(expense)/income		(5)	(6)	(42)
Profit before tax		345	500	1,258
<i>Taxation</i>	4	<i>(92)</i>	<i>(118)</i>	<i>(158)</i>
Profit for the period		253	382	1,100
<i>Other comprehensive income for the period</i>		-	-	-
Total comprehensive income for the period		253	382	1,100
Basic earnings per share	5	0.53p	0.81p	2.33p
Diluted earnings per share	5	0.53p	0.80p	2.32p

Consolidated Statement of Financial Position
at 30 September 2012

	<i>Unaudited 30 September 2012 £000</i>	<i>Unaudited 30 September 2011 £000</i>	<i>31 March 2012 £000</i>
Non-current assets			
<i>Property, plant and equipment</i>	<i>1,976</i>	2,575	2,173
<i>Intangible assets</i>	<i>4,525</i>	4,659	4,615
<i>Deferred tax assets</i>	<i>2</i>	2	2
Total non-current assets	6,503	7,236	6,790

Current assets			
<i>Inventories</i>	136	149	147
<i>Trade and other receivables</i>	2,662	3,077	2,898
<i>Cash and cash equivalents</i>	1,143	956	1,874
Total current assets	3,941	4,182	4,919
Total assets	10,444	11,418	11,709
Current liabilities			
<i>Other interest-bearing loans and borrowings</i>	(43)	(127)	(80)
<i>Trade and other payables</i>	(2,414)	(2,617)	(2,889)
<i>Current tax payable</i>	(252)	(516)	(372)
<i>Accruals and deferred income</i>	(1,198)	(1,196)	(1,274)
<i>Other liabilities</i>	(210)	(191)	(284)
Total current liabilities	(4,117)	(4,647)	(4,899)
Non-current liabilities			
<i>Other interest-bearing loans and borrowings</i>	-	(181)	(23)
<i>Deferred tax liabilities</i>	(476)	(604)	(476)
Total non-current liabilities	(476)	(785)	(499)
Total liabilities	(4,593)	(5,432)	(5,398)
Net assets	5,851	5,986	6,311
Equity			
<i>Share capital</i>	475	472	475
<i>Share premium</i>	-	3,981	4,079
<i>Merger reserve</i>	838	838	838
<i>Retained earnings</i>	4,538	695	919
Total equity	5,851	5,986	6,311

Consolidated Statement of Changes in Shareholders Equity
for the six months ended 30 September 2012 (unaudited)

	Share Capital	Share Premium	Merger Reserve	Retained earnings	Total
	£000	£000	£000	£000	£000
Opening shareholders' funds at 1 April 2011	469	3,881	838	1,311	6,499
Profit for the period	-	-	-	382	382
Dividends paid	-	-	-	(992)	(992)
Total recognised income and (expense)	-	-	-	(610)	(610)
Foreign Exchange Differences	-	-	-	(6)	(6)
Own shares acquired	-	-	-	-	-
Shares issued	3	100	-	-	103
Total movement in shareholders' funds	3	100	-	(616)	(513)
Closing shareholders' funds at 30 September 2011	472	3,981	838	695	5,986
Opening shareholders' funds at 1 October 2011	472	3,981	838	695	5,986
Profit for the period	-	-	-	718	718
Dividends paid	-	-	-	(500)	(500)

Total recognised income and (expense)	-	-	-	218	218
Foreign Exchange Differences	-	-	-	6	6
Shares issued	3	98	-	-	101
Total movement in equity	3	98	-	224	325
Closing shareholders' funds at 31 March 2012	475	4,079	838	919	6,311
Opening shareholders' funds at 1 April 2012	475	4,079	838	919	6,311
Profit for the period	-	-	-	253	253
Dividends paid	-	-	-	(713)	(713)
Total recognised income and (expense)	-	-	-	(460)	(460)
Foreign Exchange Differences	-	-	-	-	-
Capital restructuring	-	(4,079)	-	4,079	-
Shares issued	-	-	-	-	-
Total movement in shareholders' funds	-	(4,079)	-	3,619	(460)
Closing shareholders' funds at 30 September 2012	475	-	838	4,538	5,851

Consolidated Statement of Cash Flows
for the six months ended 30 September 2012

	Unaudited Six months to 30 September 2012 £000	Unaudited Six months to 30 September 2011 £000	Year ended 31 March 2012 £000
Cash flows from operating activities			
Profit for the period	253	382	1,100
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment	844	990	2,134
Net finance expense/(income)	5	6	(10)
Exchange gain	-	-	32
Taxation	92	118	158
Operating cash flow before changes in working capital and provisions	1,194	1,496	3,434
Change in trade and other receivables	236	413	609
Change in inventories	11	41	43
Change in trade and other payables	(623)	(960)	(544)
Cash generated from the operations	818	990	3,542
Interest paid	(3)	(17)	(24)
Tax paid	(213)	(24)	(337)
Net cash inflow from operating activities	602	949	3,181
Cash flows from investing activities			
Interest received	9	11	14
Proceeds from sale of plant and equipment	-	-	4
Acquisition of plant and equipment	(59)	(112)	(183)
Capitalised development expenditure	(156)	(90)	(322)
Acquisition of other intangible assets	(359)	(450)	(872)
Net cash used in investing activities	(565)	(641)	(1,359)
Cash flows from financing activities			
Proceeds from the issue of share capital	-	103	204
Payment of finance lease liabilities	-	(200)	(200)
Repayment of Bank Loans	(60)	(61)	(127)
Repayment of Loan Notes	-	(215)	(355)

Payment of equity dividend	(713)	(992)	(1,492)
Net cash outflow from financing activities	(773)	(1,365)	(1,970)
Net decrease in cash and cash equivalents	(736)	(1,057)	(148)
Exchange differences on cash and cash equivalents	5	11	20
Cash and cash equivalents at start of period	1,874	2,002	2,002
Cash and cash equivalents at end of period	1,143	956	1,874

Notes

(forming part of the interim financial statements)

1 Basis of preparation

Printing.com plc (the "Company") is a company incorporated and domiciled in the UK.

These financial statements do not include all information required for full annual financial statements, and should be read in conjunction with the financial statements of the Group as at and for the year ended 31 March 2012.

The comparative figures for the year ended 31 March 2012 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

These condensed consolidated interim financial statements were approved by the Board of Directors on 6 November 2012.

2 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 March 2012.

3 Segmental information

The Group's primary operating segments are geographic being UK & Ireland, Europe and others. The secondary segmental analysis is by nature of service.

This disclosure correlates with the information which is presented to the Chief Operating Decision Maker, the Chief Executive (CEO), who reviews revenue (which is considered to be the primary growth indicator) by segment. The Group's costs, finance income, tax charges, non-current liabilities, net assets and capital expenditure are only reviewed by the CEO at a consolidated level and therefore have not been allocated between segments in the analysis below.

Analysis by location of sales

Period ended 30 September 2012	UK & Ireland	Europe	Other	Total
	£000	£000	£000	£000
Segment revenues	6,601	3,718	106	10,425
Operating Expenses				9,919
Results from operating activities				506
Exceptional costs				(156)
Net finance income				(5)

Profit before tax	345
Tax	(92)
Profit for the period	253

Assets

Unallocated net assets	5,851
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Notes (continued)

3 Segmental information (continued)

Analysis by location of sales

Period ended 30 September 2011	UK & Ireland	Europe	Other	Total
	£000	£000	£000	£000
Segment revenues	6,960	3,670	98	10,728
	-----	-----	-----	-----
Operating Expenses				10,222
Results from operating activities				506
Net finance income				(6)
Profit before tax				500
Tax				(118)
Profit for the period				382
Assets				
Unallocated net assets				5,986

Analysis by type

Period ended 30 September 2012	Printing services - online sales	Printing services	Licence Income	Total
	£000	£000	£000	£000
Segment revenues	3,791	6,179	455	10,425
	-----	-----	-----	-----
Operating Expenses				9,919
Results from operating activities				506
Exceptional costs				(156)
Net finance expense				(5)
Profit before tax				345
Tax				(92)
Profit for the period				253

Assets

Unallocated net assets	5,851
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Analysis by type (continued)

Period ended 30 September 2011	Printing services - online sales	Printing services	Licence Income	Total
	£000	£000	£000	£000
Segment revenues	3,447	6,741	540	10,728
	-----	-----	-----	-----
Operating Expenses				10,222
Results from operating activities				506
Net finance income				(6)
Profit before tax				500
Tax				(118)
Profit for the period				382

Assets				
Unallocated net assets				5,986

4 Taxation

The tax charge is based on the base tax rate of 24% (six month period ended 30 September 2011: 26%).

5 Earnings per share

The calculation of the basic earnings per share is based on the profit after taxation divided by the weighted average number of shares in issue, being 47,557,835 (*period ended 30 September 2011 47,249,881; year ended 31 March 2012: 47,302,191*).

The diluted earnings per share takes the weighted average number of ordinary shares in issue during the period and adjusts this for dilutive impact of share options existing at the period end. The diluted weighted average number of shares in the period ended 30 September 2012 was 47,774,288 (*period ended 30 September 2011: 47,774,288; year ended 31 March 2012 47,506,092*). The profit used in the diluted earnings per share is based on profit after taxation.

Independent Review Report to Printing.com plc**Introduction**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly report for the six months ended 30 September 2012 which comprises Consolidated Statement of Financial Position, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Shareholders' equity, the Consolidated Statement of Cash Flows and the related explanatory notes. We have read the other

information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

The annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 September 2012 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU and the AIM Rules.

Mick Davies

for and on behalf of KPMG Audit Plc

Chartered Accountants

St James' Square

Manchester, M2 6DS

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The company news service from the London Stock Exchange

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