

## ARCONTECH GROUP PLC

(“Arcontech”, the “Company” or the “Group”)

### Final Results for the year ended 30 June 2019

Arcontech (AIM: ARC), the provider of products and services for real-time financial market data processing and trading, is pleased to announce its final audited results for the year ended 30 June 2019.

#### Financial Highlights:

- Revenue increased by 18% to £2,966,788 (2018: £2,519,699)
- Profit before tax of £1,057,143 (2018: £575,632)
- Revenue and profit before and after tax increased by £125,426 on adoption of IFRS 15
- Cash balances up 27% £4,063,484 (2018: £3,210,058)
- Fully diluted earnings per share of 8.35p (2018: 7.09p)
- Final dividend of 2.0 pence per share (2018: 1.3 pence per share)

#### Operational Highlights:

- Doubled number of paying desktop software solution users to 90
- Sold 300 Excelerators taking total users to 1,410
- Building a RESTful interface to provide access to more data sources
- Added new pre-sales resource
- Strong cash generation and recurring revenue

#### Commenting on the results, Richard Last, Chairman of Arcontech said:

“As a business we face a number of uncertainties: Brexit and changes taking place in the financial markets, as well as with our competitors. However, against this backdrop, our customer relationships remain strong. We are a global business and believe we offer excellent levels of support and operational flexibility as well as significant competitiveness, hence, we would expect to see continued growth, despite the macro climate. Our pipeline of prospects remains positive, albeit, as we have consistently noted, the outlook needs to be tempered by the traditionally long and complex sales cycles that are a feature of our business.”

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

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To access more information on the Group please visit: [www.arcontech.com](http://www.arcontech.com)

## Chairman's Statement

I am pleased to report another year of progress for Arcontech Group plc ("Arcontech" or the "Company") with good growth in profit before taxation for the year ended 30 June 2019 to £1,057,143 (2018: £575,632), a year-on-year increase of 84% (62% before the adoption of IFRS 15 "Revenue from contracts with customers"). During the year we re-assessed the level of accruals to be carried forward on our balance sheet, as a result of which we have released accruals no longer required of £156,786 (2018: £25,500). After adjusting for release of these accruals, profit before taxation would have been £900,357 (2018: £550,132), an increase of 64% over the previous year (35% before adoption of IFRS 15). This demonstrates the significant profit conversion from increased revenues as we are able to deliver more from our existing and well managed cost base.

We achieved a good increase in turnover for the year which grew by 18% to £2,966,788 (2018: £2,519,699) a year-on-year increase of £447,089 (£321,633 before the adoption of IFRS 15). This was achieved primarily through increasing our product sales to existing customers. We sold 300 Excelerators bringing those deployed in our customer base to 1,410 and doubled our Desktop software solution customer base to 90. Whilst sales to new customers have not been significant during the year, our pipeline of opportunities with potential new customers is already proving positive, particularly for our Excelerator and Desktop software products.

We believe that fully diluted earnings based on profit before taxation, excluding the release of provisions noted above, provides a better measure of our underlying performance. As at 30 June 2019 Arcontech had tax losses of approximately £8.7m to offset against future trading profits. On this basis earnings (determined as profit before tax, assuming no tax charge/credit for the year,) grew by 58% to 6.73p (36% before adoption of IFRS 15) during the year ended 30 June 2019 (30 June 2018: 4.26p). Based on the actual tax charge, adjusted earnings grew by 4.1% to 7.18p during the year to 30 June 2019 (30 June 2018: 6.90p) reflecting the reduction in the overall tax credit.

### Financing

As at 30 June 2019 Arcontech had no debt and cash balances of £4,063,484 (2018: £3,210,058) an increase of 27% which represents a cash conversion of adjusted operating profit (determined as operating profit before share-based payments and before the release of accruals for administrative costs in respect of prior years) of 109% (2018: 94%). Arcontech continues to be well financed and has a robust balance sheet which is highly desirable for a small, growing software company.

### Dividend

I am pleased to announce that subsequent to the year-end we agreed to propose, subject to approval at the Annual General Meeting, to pay a dividend of 2.0 pence per share for the year ended 30 June 2019 (30 June 2018: 1.30 pence), an increase of 54%, to those shareholders on the register as at the close of business on 6 September 2019, with an ex-dividend date of 5 September 2019.

### Employees

Arcontech has a small, highly effective and committed workforce that is customer focused. Their hard work, continued support and dedication, is greatly appreciated and for which I thank them. I should also like to thank my colleagues on the Board for their continued support.

### Outlook

As a business we face a number of uncertainties: Brexit and changes taking place in the financial markets, as well as with our competitors. However, against this backdrop, our customer relationships remain strong. We are a global business and believe we offer excellent levels of support and operational flexibility as well as significant competitiveness, hence, we would expect to see continued growth, despite the macro climate. Our pipeline of prospects remains positive, albeit, as we have consistently noted, the outlook needs to be tempered by the traditionally long and complex sales cycles that are a feature of our business.

Richard Last

Chairman and Non-Executive Director

## **Chief Executive's Review**

I am pleased to report that during the year we maintained our focus on expanding and delivering on the sales pipeline whilst continuing to control costs, which resulted in a profit before tax of £1,057,143 (2018: £575,632), an increase of 84% (2018: 54%) compared to the previous year and a creditable performance by the Group.

The year under review saw the two global clients using our Desktop software solution increase their usage and the signing of another client, bringing the total to three, the third being a completely new client. We now have a total of 90 end users (2018: 45) and continue to work with other clients where we are running trials.

We also managed to grow our Excelerator end users by just over 300 which, together with our Desktop software solution, means a further 345 end users of Arcontech software.

To increase the value provided and therefore the use case for both Excelerator and our Desktop software solution we have also been working with a client on building a RESTful interface which will enable content in JSON and SQL formats to be pulled into our software from the web or intranets to display and use in spreadsheets, templates and charts. This provides a huge increase in the data available to be consumed and can benefit any client.

We are also working on our server-side offerings to provide added value. To this end, we have been collaborating with key clients to develop the first iteration of a new GUI for Director, our interface for MVCS and our Cache.

Work on improving our sales structure continued too and we have added a pre-sales support function. This role works with sales personnel and their clients as a dedicated resource for technical issues, whereas previously the requirement was fulfilled by support or development staff which interfered with the development process.

The length of the sales cycle continues to be longer than we would like, however, we believe the expanded product offering and sales capability should improve the frequency of sales. Coupled with the excellent work of our development and support teams, we continue to build on and broaden our strengths whilst working with our clients to help meet their ever-changing needs.

As ever, our overriding focus remains on sales growth and building our pipeline. At the same time, we are continuing to explore opportunities with other organisations that can complement our offerings, whilst remaining alert for strategic acquisition opportunities that will benefit the Group.

We look forward to continued growth in the year ahead.

Matthew Jeffs  
Chief Executive

## Strategic Report

The Directors present the group strategic report for Arcontech Group plc and its subsidiaries for the year ended 30 June 2019.

### Principal activities

The principal activities of the Company and its subsidiaries during the year were the development and sale of proprietary software and provision of computer consultancy services.

### Review of the business and prospects

A full review of the operations, financial position and prospects of the Group is given in the Chairman's Statement and Chief Executive's Review.

### Key performance indicators (KPIs)

The Directors monitor the business using management reports and information, reviewed and discussed at monthly Board meetings. Financial and non-financial KPIs used in this report include:

#### Financial KPIs:

Revenue £2,966,788 (2018: £2,519,699; 2017: £2,307,751)

Measurement:

Revenue from sales made to all customers (excluding intra-group sales which eliminate on consolidation)

Performance:

Continued growth driven by increased sales of our product offering

Adjusted profit £960,675 (2018: £889,584; 2017: £441,996)

Measurement:

Profit after tax and before release of accruals for administrative costs in respect of prior years

Performance:

Continued growth reflects increase in revenues whilst continuing to maintain tight cost control

Cash £4,063,484 (2018: £3,210,058; 2017: £2,636,471)

Measurement:

Cash and cash equivalents held at the end of the year

Performance:

The Group continues to maintain healthy cash balances subject to any exceptional circumstances or acquisition opportunities

Earnings per share (basic) 8.46p (2018: 7.14p; 2017: 3.79p)

Measurement:

Earnings after tax divided by the weighted average number of shares

Performance:

Continued growth

Earnings per share (diluted) 8.35p (2018: 7.09p; 2017: 3.68p)

Measurement:

Earnings after tax divided by the fully diluted number of shares

Performance:

Continued growth

#### Non-financial KPIs:

Staff retention rate (net) 100% (2018: 92%; 2017: 100%)

Measurement:

Net retention after adjusting for joiners and leavers during the year

Performance:

Staff morale from our dedicated employees remains strong, reflected in the stable retention rate

**Principal risks and uncertainties**

The Group's performance is affected by a number of risks and uncertainties, which the Board monitor on an ongoing basis in order to identify, manage and minimise their possible impact. General risks and uncertainties include changes in economic conditions, interest rate fluctuations and the impact of competition. The Group's principal risk areas and the action taken to mitigate their outcome are shown below:

<u>Risk area</u>	<u>Mitigation</u>
Competition	Ongoing investment in research and development Responding to the changing needs of clients to remain competitive
Loss of key personnel	Employee share option scheme in place

Approved on behalf of the board on 21 August 2019 by:

Matthew Jeffs  
Chief Executive

Michael Levy  
Group Finance Director

## Group Income Statement and Statement of Comprehensive Income

For the year ended 30 June 2019

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Revenue	2,966,788	2,519,699
Administrative costs	(1,936,829)	(1,958,176)
<b>Operating profit</b>	<b>1,029,959</b>	<b>561,523</b>
Finance income	27,184	14,109
<b>Profit before taxation</b>	<b>1,057,143</b>	<b>575,632</b>
Taxation	60,318	339,452
<b>Profit for the year after tax</b>	<b>1,117,461</b>	<b>915,084</b>
<b>Total comprehensive income for the year</b>	<b>1,117,461</b>	<b>915,084</b>
<b>Earnings per share (basic)</b>	<b>8.46p</b>	<b>7.14p</b>
<b>Adjusted* Earnings per share (basic)</b>	<b>7.27p</b>	<b>6.94p</b>
<b>Earnings per share (diluted)</b>	<b>8.35p</b>	<b>7.09p</b>
<b>Adjusted* Earnings per share (diluted)</b>	<b>7.18p</b>	<b>6.90p</b>

\*Adjusted for release of accruals for administrative costs of £156,786 (2018: £25,500) in respect of prior years.

All of the results relate to continuing operations.

## Statement of Changes in Equity

For the year ended 30 June 2019

Group:

	Share capital £	Share premium £	Share option reserve £	Retained earnings £	Total equity £
<b>Balance at 30 June 2017</b>	1,562,676	9,802	188,425	1,039,082	2,799,985
Profit for the year	-	-	-	915,084	915,084
<b>Total comprehensive income for the year</b>	-	-	-	915,084	915,084
Dividend paid	-	-	-	(125,760)	(125,760)
Issue of shares	88,638	46,579	-	-	135,217
Share-based payments	-	-	51,224	-	51,224
Transfer between reserves	-	-	(183,283)	183,283	-
<b>Balance at 30 June 2018</b>	1,651,314	56,381	56,366	2,011,689	3,775,750
Adjustment for adoption of IFRS 15	-	-	-	1,026,119	1,026,119
Profit for the year	-	-	-	1,117,461	1,117,461
<b>Total comprehensive income for the year</b>	-	-	-	1,117,461	1,117,461
Dividend paid	-	-	-	(171,334)	(171,334)
Share-based payments	-	-	53,857	-	53,857
Transfer between reserves	-	-	(10,576)	10,576	-
<b>Balance at 30 June 2019</b>	1,651,314	56,381	99,647	3,994,511	5,801,853

Company:

	Share capital £	Share premium £	Share option reserve £	Retained earnings £	Total equity £
<b>Balance at 30 June 2017</b>	1,562,676	9,802	188,425	3,062,385	4,823,288
Profit for the year	-	-	-	1,076,709	1,076,709
<b>Total comprehensive expense for the year</b>	-	-	-	1,076,709	1,076,709
Dividend paid	-	-	-	(125,760)	(125,760)
Issue of shares	88,638	46,579	-	-	135,217
Share-based payments	-	-	51,224	-	51,224
Transfer between reserves	-	-	(183,283)	183,283	-
<b>Balance at 30 June 2018</b>	1,651,314	56,381	56,366	4,196,617	5,960,678
Profit for the year	-	-	-	342,250	342,250
<b>Total comprehensive income for the year</b>	-	-	-	342,250	342,250
Dividend paid	-	-	-	(171,334)	(171,334)
Share-based payments	-	-	53,857	-	53,857
Transfer between reserves	-	-	(10,576)	10,576	-
<b>Balance as at 30 June 2019</b>	1,651,314	56,381	99,647	4,378,109	6,185,451

## Balance Sheet

Registered number: 04062416

As at 30 June 2019

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
<b>Non-current assets</b>				
Goodwill	1,715,153	1,715,153	-	-
Property, plant and equipment	15,011	17,941	-	-
Investments in subsidiaries	-	-	2,017,471	2,017,471
Deferred tax asset	285,000	270,000	125,000	50,000
Trade and other receivables	141,750	141,750	-	-
<b>Total non-current assets</b>	<b>2,156,914</b>	<b>2,144,844</b>	<b>2,142,471</b>	<b>2,067,471</b>
<b>Current assets</b>				
Trade and other receivables	263,875	310,123	3,073,519	2,571,949
Cash and cash equivalents	4,063,484	3,210,058	1,078,755	1,458,390
<b>Total current assets</b>	<b>4,327,359</b>	<b>3,520,181</b>	<b>4,152,274</b>	<b>4,030,339</b>
<b>Current liabilities</b>				
Trade and other payables	(682,420)	(1,889,275)	(109,294)	(137,132)
<b>Total current liabilities</b>	<b>(682,420)</b>	<b>(1,889,275)</b>	<b>(109,294)</b>	<b>(137,132)</b>
<b>Net current assets</b>	<b>3,644,939</b>	<b>1,630,906</b>	<b>4,042,980</b>	<b>3,893,207</b>
<b>Net assets</b>	<b>5,801,853</b>	<b>3,775,750</b>	<b>6,185,451</b>	<b>5,960,678</b>
<b>Equity</b>				
Called up share capital	1,651,314	1,651,314	1,651,314	1,651,314
Share premium account	56,381	56,381	56,381	56,381
Share option reserve	99,647	56,366	99,647	56,366
Retained earnings	3,994,511	2,011,689	4,378,109	4,196,617
	<b>5,801,853</b>	<b>3,775,750</b>	<b>6,185,451</b>	<b>5,960,678</b>

*Group Cash Flow Statement*

**For the year ended 30 June 2019**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Cash generated from operations</b>	<b>966,060</b>	<b>482,659</b>
Tax recovered	45,318	69,452
<b>Net cash generated from operating activities</b>	<b>1,011,378</b>	<b>552,111</b>
<b>Investing activities</b>		
Interest received	27,184	14,109
Purchases of plant and equipment	(13,802)	(2,090)
<b>Net cash generated from investing activities</b>	<b>13,382</b>	<b>12,019</b>
<b>Financing activities</b>		
Issue of shares	-	135,217
Dividend paid	(171,334)	(125,760)
<b>Net cash (invested in)/generated from financing activities</b>	<b>(171,334)</b>	<b>9,457</b>
<b>Net increase in cash and cash equivalents</b>	<b>853,426</b>	<b>573,587</b>
Cash and cash equivalents at beginning of year	3,210,058	2,636,471
<b>Cash and cash equivalents at end of year</b>	<b>4,063,484</b>	<b>3,210,058</b>

**Status of financial information**

Arcontech Group plc is a public limited company incorporated in England and Wales whose ordinary shares of £0.125 each are traded on the AIM Market of the London Stock Exchange. The Company's registered office is 1st Floor, 11-21 Paul Street, London, EC2A 4JU.

The Board of Directors approved this preliminary announcement on 21 August 2019. Whilst the financial information included in this preliminary announcement has been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union, this announcement does not itself contain sufficient information to comply with all the disclosure requirements of IFRS and does not constitute statutory accounts of the Company for the years ended 30 June 2019 or 30 June 2018.

The financial information set out in this announcement does not comprise the Group's statutory accounts for the years ended 30 June 2019 or 30 June 2018.

The financial information has been extracted from the statutory accounts of the Company for the years ended 30 June 2019 or 30 June 2018. The auditors reported on those accounts; their reports were unqualified and did not contain a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under either Section 498 (2) or Section 498 (3) of the Companies Act 2006.

The statutory accounts for the year ended 30 June 2018 have been delivered to the Registrar of Companies, whereas those for the year ended 30 June 2019 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

**Operating segments:**

The Group reports internally to the Chief Operating Decision Maker (CODM), who is considered to be the Board. Intersegment license fees and management charges are not included in the reports reviewed by the CODM during the year but are calculated for statutory reporting purposes and therefore are excluded from the following revenue and operating profit disclosures.

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Revenue by segment</b>		
Software development and licence fees	2,966,788	2,519,699
External segment revenue	2,966,788	2,519,699
<b>Operating profit by segment</b>		
Software development and licence fees	1,513,240	1,126,932
Unallocated overheads	(483,281)	(565,409)
<b>Total operating profit</b>	<b>1,029,959</b>	<b>561,523</b>
Finance income	27,184	14,109
<b>Total profit before tax as reported in the Group income statement</b>	<b>1,057,143</b>	<b>575,632</b>

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Segment total of assets</b>		
Software development and licence fees	5,196,369	4,090,852
Unallocated assets	4,357,274	4,140,338
	9,553,643	8,231,190
Less inter company debtors	(3,069,370)	(2,566,166)
<b>Total assets</b>	<b>6,484,273</b>	<b>5,665,024</b>

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Segment total of liabilities</b>		
Software development and licence fees	3,642,199	4,318,229
Unallocated liabilities	109,591	137,212
	<u>3,751,790</u>	<u>4,455,441</u>
Less inter company creditors	(3,069,370)	(2,566,166)
<b>Total liabilities</b>	<u>682,420</u>	<u>1,889,275</u>

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Additions of property, plant and equipment assets by segment</b>		
Software development and licence fees	13,802	2,090
<b>Total additions</b>	<u>13,802</u>	<u>2,090</u>

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Depreciation of property, plant and equipment assets recognised in the period by segment</b>		
Software development and licence fees	16,732	17,974
<b>Total depreciation</b>	<u>16,732</u>	<u>17,974</u>

<b>Non-current assets by country</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
UK	2,156,914	2,144,844
<b>Total non-current assets</b>	<u>2,156,914</u>	<u>2,144,844</u>

<b>Geographical information - External revenue</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
UK	1,997,490	1,669,949
Europe (excluding UK)	822,251	796,468
Africa	45,000	22,562
North America	99,010	28,488
Asia Pacific	3,037	2,232
	<u>2,966,788</u>	<u>2,519,699</u>

During the year there were 4 customers (2018: 3) who accounted for more than 10% of the Group's revenues as follows:

	<b>2019</b>		<b>2018</b>	
	<b>Value of sales</b>	<b>% of Total</b>	<b>Value of sales</b>	<b>% of Total</b>
	<b>£</b>		<b>£</b>	
Customer 1	643,491	22%	620,630	25%
Customer 2	527,145	18%	477,258	19%
Customer 3	378,326	13%	375,219	15%
Customer 4	361,426	12%	96,000	4%
	<u>1,910,388</u>	<u>65%</u>	<u>1,569,107</u>	<u>63%</u>

These revenues are attributable to the software development and licence fees segment.

## Earnings per share

	2019 £	2018 £
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share being net profit attributable to equity shareholders	1,117,461	915,084
	<u>1,117,461</u>	<u>915,084</u>
	<b>No.</b>	<b>No.</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	13,210,510	12,821,702
Number of dilutive shares under option	165,223	77,699
Weighted average number of ordinary shares for the purposes of dilutive earnings per share	<u>13,375,733</u>	<u>12,899,401</u>

The calculation of diluted earnings per share assumes conversion of all potentially dilutive ordinary shares, all of which arise from share options. A calculation is done to determine the number of shares that could have been acquired at fair value, based upon the monetary value of the subscription rights attached to outstanding share options.

## Net cash generated from operations - Group

	2019 £	2018 £
Operating profit	1,029,959	561,523
Depreciation charge	16,732	17,974
Non cash share option charges	53,857	51,224
Adjustment for adoption of IFRS 15	1,026,119	-
Decrease/(increase) in trade and other receivables	46,248	(134,626)
Decrease in trade and other payables	(1,206,855)	(13,436)
<b>Cash generated from operations</b>	<u>966,060</u>	<u>482,659</u>

## Dividends

A final dividend of 2.0 pence will be proposed at the Annual General Meeting but has not been recognised as it requires approval (2018: 1.3 pence).

## Annual General Meeting

The Annual General Meeting of Arcontech Group PLC will be held at the Company's offices, 1st Floor, 11-21 Paul Street, London EC2A 4JU on 3 October 2019 at 10.00 a.m.

## Annual report and accounts

Copies of the annual report and accounts will be sent to shareholders shortly and will be available from the Company Secretary at the Company's registered office at 1st Floor, 11-21 Paul Street, London, EC2A 4JU or from the Company's website at [www.arcontech.com](http://www.arcontech.com)