

## **ARCONTECH GROUP PLC**

(“Arcontech” or the “Group”)

### **INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020**

Arcontech (AIM: ARC), the provider of products and services for real-time financial market data processing and trading, is pleased to report its unaudited results for the six months ended 31 December 2020.

#### **Highlights:**

- Turnover increased by 4.7% to £1,542,816 (six months ended 31 December 2019: £1,473,651)
- Profit before tax decreased by 8% to £506,237 (six months ended 31 December 2019: £551,847) reflecting the full cost of investment in our sales team
- Annual run-rate of recurring revenues at 31 December 2020 increased by 4% to £2.98 million (at 31 December 2019: £2.87 million)
- Net cash of £4,997,822 at 31 December 2020, an increase of £597,367 on the level at 31 December 2019 ( £4,400,455)
- Profit before tax for the year to 30 June 2021 is expected to be in line with market expectations

#### **Geoff Wicks, Chairman of Arcontech, said:**

“The Board is pleased with Arcontech’s progress in the first half of the year. While the effects of the COVID-19 pandemic have continued to overshadow the market we have grown revenue with the addition of an important new customer and a significant upgrade to an existing tier one customer. At the same time we have maintained good profit levels after investing in future growth. We believe we are in a good position to accelerate growth once market conditions improve.

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

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the company's obligations under Article 17 of MAR.

The interim report will only be available to view online enabling the Group to communicate in a more environmentally friendly and cost-effective manner.

## **Chairman's Statement**

I was delighted to join the board of Arcontech as a Non-Executive Director in July 2020, before becoming Chairman in September 2020. I would like to thank Richard Last for his stewardship of the Company over the last thirteen years, overseeing the Company's transformation and growth to be highly profitable with an impressive blue-chip customer base.

In these uncertain times Arcontech has continued to perform well, with sound revenue growth but a reduction in profit before tax due to the effect of the investment in building the sales team which is expected to enhance future earnings. The market continues to be challenging with customer contact limited and decisions being delayed due to remote working. However, the enhanced sales team is making good progress growing the list of prospective new customers, which bodes well for the future.

Revenue was £1.54 million, up 4.7% from £1.47 million in the previous year. Profit before tax (PBT) was £506,237, 8% lower than the same period last year, reflecting the additional investment in sales capability. Costs continue to be under tight control. Adjusted profit before tax, which is PBT before the release of accruals for administrative costs in respect of prior years, was down 9% to £462,237.

Our strategy is to support our existing customers and to maximise opportunities to provide a wider range of services to them. At the same time we have invested in building our sales capability to grow our customer base globally. We also continue to focus on our desktop products to augment our server-side business.

The enlarged sales team has made good progress reaching out to potential new customers. The prevailing market conditions have meant that the sales cycle is taking much longer than in normal times. We are pleased with the progress made and are confident that growth will improve once we are in a more normal market.

## **Financing**

Our cash position remains excellent, with cash balances of £4,997,822 at the end of the period, £597,367 above the level at 31 December 2019 and broadly the same as the balance of £5,006,969 at June 30, 2020, after paying £333,594 in dividends. This enables us to invest in the business, maintaining our larger sales team and developing our products.

## **Dividend**

No interim dividend is proposed to be paid in respect of the half year. The Board expects to continue its policy of paying a dividend following the announcement of its full year results.

## **Employees**

Our staff are now all working from home and I would like to thank them for their hard work adapting to this challenge. The Company has been able to continue to provide full support to existing customers, which has included performing software upgrades and helping with data centre moves whilst at the same time supporting proof of concept projects and progressing the development of new products.

## **Outlook**

We expect conditions in the second half of the year to remain challenging. It seems unlikely that our sales team will have greater access to customers until at least the end of the year, however, we are confident that we will build on current growth once market conditions improve.

**Geoff Wicks**

**Chairman and Non-Executive Director**

## GROUP INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 31 December 2020 (unaudited) £	Six months ended 31 December 2019 (unaudited) £	Year ended 30 June 2020 (audited) £
Revenue		1,542,816	1,473,651	2,955,314
Administrative costs		(1,034,043)	(924,211)	(1,917,502)
<b>Operating profit</b>	4	508,773	549,440	1,037,812
Finance income		8,442	16,573	29,914
Finance costs		(10,978)	(14,166)	(26,757)
<b>Profit before taxation</b>		506,237	551,847	1,040,949
Taxation	6	-	9,734	176,734
<b>Profit for the period after tax</b>		506,237	561,581	1,217,703
<b>Total comprehensive income</b>		506,237	561,581	1,217,703
<b>Profit per share (basic)</b>		3.82p	4.25p	9.22p
<b>Adjusted* Profit per share (basic)</b>		3.49p	3.93p	8.56p
<b>Profit per share (diluted)</b>		3.76p	4.17p	9.03p
<b>Adjusted* Profit per share (diluted)</b>		3.43p	3.85p	8.39p

All of the results relate to continuing operations and there was no other comprehensive income in the period.

\* Before release of accruals for administrative costs in respect of prior years.

## GROUP BALANCE SHEET

	Note	31 December 2020 (unaudited) £	31 December 2019 (unaudited) £	30 June 2020 (audited) £
<b>Non-current assets</b>				
Goodwill		1,715,153	1,715,153	1,715,153
Property, plant and equipment		15,697	17,084	19,316
Right of use asset	10	438,908	588,212	512,061
Deferred tax asset		452,000	285,000	452,000
Trade and other receivables		141,750	141,750	141,750
		<hr/>	<hr/>	<hr/>
Total non-current assets		2,763,508	2,747,199	2,840,280
<b>Current assets</b>				
Trade and other receivables		759,655	608,910	192,632
Cash and cash equivalents		4,997,822	4,400,455	5,006,969
		<hr/>	<hr/>	<hr/>
Total current assets		5,757,477	5,009,365	5,199,601
<b>Current liabilities</b>				
Trade and other payables		(643,512)	(694,215)	(655,907)
Deferred income		(1,483,908)	(1,513,941)	(1,195,130)
Lease liabilities	10	(162,000)	(162,000)	(141,693)
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Total current liabilities		(2,289,420)	(2,370,156)	(1,992,730)
<b>Non-current liabilities</b>				
Lease liabilities	10	(253,974)	(392,405)	(344,303)
		<hr/>	<hr/>	<hr/>
Total non-current liabilities		(253,974)	(392,405)	(344,303)
<b>Net current assets</b>				
		<hr/>	<hr/>	<hr/>
		3,468,057	2,639,209	3,206,871
<b>Net assets</b>				
		<hr/>	<hr/>	<hr/>
		5,977,591	4,994,003	5,702,848
<b>Equity</b>				
Share capital		1,661,314	1,651,314	1,651,314
Share premium account		65,381	56,381	56,381
Shares to be issued		31,642	-	-
Share option reserve		206,797	145,352	188,639
Retained earnings		4,012,457	3,140,956	3,806,514
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		5,977,591	4,994,003	5,702,848
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## GROUP CASH FLOW STATEMENT

	Note	Six months ended 31 December  2020 (unaudited) £	Six months ended 31 December  2019 (unaudited) £	Year ended 30 June  2020 (audited) £
<b>Cash generated from operating activities</b>	9	<b>336,866</b>	<b>646,861</b>	<b>1,315,421</b>
Tax recovered	6	-	9,734	9,734
<b>Net cash generated from operating activities</b>		<b>336,866</b>	<b>656,595</b>	<b>1,325,155</b>
<b>Investing activities</b>				
Interest received		8,442	16,573	29,914
Purchases of plant and equipment		(1,482)	(5,772)	(12,750)
<b>Net cash generated from investing activities</b>		<b>6,960</b>	<b>10,801</b>	<b>17,164</b>
<b>Financing activities</b>				
Proceeds from the exercise of options		50,642	-	-
Dividends paid		(333,594)	(263,591)	(263,591)
Payment of lease liabilities		(70,021)	(66,834)	(135,243)
<b>Net cash used in financing activities</b>		<b>(352,973)</b>	<b>(330,425)</b>	<b>(398,834)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(9,147)</b>	<b>336,971</b>	<b>943,485</b>
Cash and cash equivalents at beginning of period		5,006,969	4,063,484	4,063,484
<b>Cash and cash equivalents at end of period</b>		<b>4,997,822</b>	<b>4,400,455</b>	<b>5,006,969</b>

## GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Shares to be issued	Share- based payments reserve	Retained earnings	Total
	£	£	£	£	£	£
<b>At 1 July 2019</b>	<b>1,651,314</b>	<b>56,381</b>	-	<b>56,366</b>	<b>2,011,689</b>	<b>3,775,750</b>
Total comprehensive income for the period	-	-	-	-	561,581	561,581
Dividends paid	-	-	-	-	(263,591)	(263,591)
Share-based payments	-	-	-	45,705	-	45,705
<b>At 31 December 2019</b>	<b>1,651,314</b>	<b>56,381</b>	-	<b>145,352</b>	<b>3,140,956</b>	<b>4,994,003</b>
Total comprehensive income for the period	-	-	-	-	656,122	656,122
Share-based payments	-	-	-	52,723	-	52,723
Realisation of share option reserve	-	-	-	(9,436)	9,436	-
<b>At 30 June 2020</b>	<b>1,651,314</b>	<b>56,381</b>	-	<b>188,639</b>	<b>3,806,514</b>	<b>5,702,848</b>
Total comprehensive income for the period	-	-	-	-	506,237	506,237
Exercise of options	10,000	9,000	31,642	-	-	50,642
Transfer between reserves	-	-	-	(33,300)	33,300	-
Dividends paid	-	-	-	-	(333,594)	(333,594)
Share-based payments	-	-	-	51,458	-	51,458
<b>At 31 December 2020</b>	<b>1,661,314</b>	<b>65,381</b>	<b>31,642<sup>1</sup></b>	<b>206,797</b>	<b>4,012,457</b>	<b>5,977,591</b>

<sup>1</sup> At 31 December 2020 £31,642 had been received from an optionholder as subscription funds to acquire 37,301 Ordinary Shares in the Company. The shares were issued post reporting date on 25 January 2021.



## NOTES TO THE FINANCIAL INFORMATION

1. The figures for the six months ended 31 December 2020 and 31 December 2019 are unaudited and do not constitute statutory accounts. The interim results have been prepared on a going concern basis using accounting policies which are consistent with International Financial Reporting Standards as adopted by the European Union and with the accounting policies adopted in the most recent annual financial statements to 30 June 2020.
2. The financial information for the year ended 30 June 2020 set out in this interim report does not comprise the Group's statutory accounts as defined in section 434 of the Companies Act 2006. The statutory accounts for the year ended 30 June 2020, which were prepared under International Financial Reporting Standards (IFRS) as adopted for use in the EU, applied in accordance with the provisions of the Companies Act 2006, have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under either Section 498(2) or Section 498(3) of the Companies Act 2006 and did not include references to any matters to which the auditor drew attention by way of emphasis.
3. Copies of this statement are available from the Company Secretary at the Company's registered office at 1<sup>st</sup> Floor 11-21 Paul Street, London, EC2A 4JU or from the Company's website at [www.arcontech.com](http://www.arcontech.com).
4. Operating profit is stated after release of accruals for administrative expenses in respect of prior years of £44,000 (31 December 2019: £42,500; 30 June 2020: £86,500).
5. Earnings per share have been calculated based on the profit after tax and the weighted average number of shares in issue during the half year ended 31 December 2020 of 13,259,206 (31 December 2019: 13,210,510; 30 June 2020: 13,210,510).

The number of dilutive shares under option at 31 December 2020 was 214,217 (31 December 2019: 256,341; 30 June 2020: 268,484). 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 the average market price during the period, based upon the issue price of the outstanding share options including future charges to be recognised under the share-based payment arrangements.

6. Taxation is based on the unaudited results and provision has been estimated at the rate applicable to the Company at the time of this statement and expected to be applied to the total annual earnings. No corporation tax has been charged in the period as any liability has been offset against tax losses brought forward from prior years. The tax credit represents the cash recovery of Research & Development tax credits during the period.
7. A final dividend in respect of the year ended 30 June 2020 of 2.5 pence per share (2019: 2.0 pence per share) was paid on 9 October 2020.
8. The Directors have elected not to apply IAS 34 Interim financial reporting.

9. Cash generated from operations

	<b>Six months ended 31 December</b>	Six months ended 31 December	Year ended 30 June
	<b>2020 (unaudited) £</b>	2019 (unaudited) £	2020 (audited) £
Operating profit	<b>508,773</b>	549,440	1,037,812
Depreciation charge	<b>78,254</b>	77,226	154,747
Non-cash share option charges	<b>51,457</b>	45,705	98,428
Lease interest paid	<b>(10,978)</b>	(14,166)	(26,757)
Adjustment for adoption of IFRS 16	-	(40,500)	(37,125)
(Increase)/decrease in trade and other receivables	<b>(567,023)</b>	(345,035)	71,244
Increase in trade and other payables	<b>276,383</b>	374,191	17,072
<b>Cash generated from operations</b>	<b>336,866</b>	646,861	1,315,421

## 10. Leases

As a lessee, under IFRS 16 the Group recognises right-of-use assets and lease liabilities for all leases on its balance sheet. The only lease applicable under IFRS 16 is the Group's office.

The key impacts on the Statement of Comprehensive Income and the Statement of Financial Position are as follows:

	Right of use asset £	Prepayments £	Lease liability £	Income statement £
As at 1 July 2020	512,061	-	(485,996)	-
Depreciation	(73,153)	-	-	(73,153)
Interest	-	-	(10,978)	(10,978)
Lease payments	-	-	81,000	-
<b>Carrying value at 31 December 2020</b>	<b>438,908</b>	<b>-</b>	<b>(415,974)</b>	<b>(84,131)</b>

	Right of use asset £	Prepayments £	Lease liability £	Income statement £
As at 1 July 2019	-	-	-	-
Recognised on adoption of IFRS 16	661,739	(40,500)	(621,239)	-
Depreciation	(73,527)	-	-	(73,527)
Interest	-	-	(14,166)	(14,166)
Lease payments	-	-	81,000	-
<b>Carrying value at 31 December 2019</b>	<b>588,212</b>	<b>(40,500)</b>	<b>(554,405)</b>	<b>(87,693)</b>