Imaginatik plc
("Imaginatik" or "the Company")
Interim Results

Imaginatik plc (AIM: IMTK.L), the innovation company, announces its unaudited results for the six months ended 30 September 2017.

Highlights

- Recognised revenues of £1.73m (2016: £1.84m)
- Overall bookings of £1.73m (2016: £2.02m)*, impacted by delay to one significant renewal which subsequently closed post period end
- Deferred revenue of £2.62m (2016: £3.35m)
- Loss after tax of £0.37m (2016: £0.26m)
- High level of customer renewals and 10 new customers signed in period
- First customers secured through partnership channel
- Successfully completed a placing and open offer in July 2017, raising £1.45m gross to enable further investment in the business

* *At constant currency, US$ to £ exchange rate of 1.2795*

Matt Cooper, Non-Executive Chairman, commented: *"We have had a period of new customer wins, the majority of these closing towards the end of the period meaning that we have a visible pipeline of contracted business to deliver and recognise in the income statement as we enter the second half. In addition, we are beginning to see early evidence that the partnership channel is proving successful but there remains a lot of work to be done to develop this to its full potential. We remain encouraged by the pipeline of opportunities available to us but meeting full year market expectations will be challenging due to a weak first quarter."*

For further information please contact:

Imaginatik plc Matt Cooper Non-Executive Chairman Ralph Welborn, CEO Shawn Taylor, CFO	Tel: 01329 243 243
finnCap Ltd Jonny Franklin-Adams/Giles Rolls	Tel: 020 7220 0500
Alma PR Hilary Buchanan/ Robyn Fisher	Tel: 020 8004 4218

About Imaginatik

Imaginatik provides a range of Innovation solutions comprised of consultancy, enterprise software and program management to deliver innovation results to companies such as PwC, Novartis, The Chubb Group of Insurance Companies, Exxon Mobil, Altria, Shell, Goodyear, Delta Airlines, Sodexo, Macquarie Bank, Caterpillar and Cargill. Few companies possess the internal capability to consistently generate fresh ideas, identify those worth pursuing and reliably transform them into real, value-enhancing assets. Imaginatik's mission is to help these companies build sustainable innovation competencies.

Imaginatik is a public company whose shares are traded on the AIM market of the London Stock Exchange (LSE: IMTK.L) with offices in Boston, MA, and Fareham, UK. For more information visit www.imaginatik.com.

Introduction

The results delivered for the first half of the year are reflective of a mixed trading period. Trading in the first quarter was disappointing however bookings improved significantly in the second quarter which delivered overall steady results for the full period, with recognised revenue of £1.73m (2016: £1.84m) and a corresponding loss after tax of £0.37m (2016: £0.26m). The momentum seen towards the end of the period has continued through to the start of the second half of the year with a number of significant renewal and upsell contracts closed post period end.

Overall, contract renewals were good with 96% of renewals by value converted over the period. The date of one significant renewal, valued at £0.9m and initially expected to close in the first half, was delayed into the second half to align with the client's year end. As a result, total bookings for the period were £1.7m (2016: £2.0m at constant currency) however the Company is pleased to confirm that this significant multi-year renewal has now closed post period end.

The Group had a very good period of new customer wins, with 10 new customers added in the half (2016: 4). The vast majority of these wins closed late in the period with a large proportion of the consulting components of these engagements, amounting to £0.2m, will be delivered in the second half of the year. New customers added include a US-based insurance and financial services company, a UK financial advisory company, a major American airline, and two banks – one in Australia and one in Singapore. Three of the 10 new customers were secured through the Group's newly developed partnership channel which was initiated in late calendar 2016, demonstrating early traction with this developing route to market. It is pleasing to see the early fruits of this effort. We believe there remains a substantial opportunity to pursue via a partner network and we continue our work to develop this initiative to its full potential.

The Board of Imaginatik would like to thank shareholders for their continued support. In July 2017, the Company successfully raised £1.45m gross through a placing and open offer, which resulted in two new significant shareholders joining the register and enabled further investment in the business.

The market opportunity for Imaginatik remains large and increasingly mainstream. We are seeing more companies across industries acknowledging that their traditional ways of business are being challenged and their market share eroded by new, pioneering market entrants, which is consequently focusing management attention on harnessing business critical innovation. At the same time, the Company's reputation for providing consultancy services in tandem with its proprietary technology is gaining ground and continues to be a differentiator in the market. In recent months we are seeing an even greater predominance of consulting engagements contributing to the sales pipeline and believe we have the foundations in place for future success.

Financial Review

Total recognised revenue for the six months to 30 September 2017 was £1.73m (2016: £1.84m). Revenue recognised from the US in the period accounted for approximately 63% of the total (2016: 68%) with the balance derived from 'Rest of World', primarily the European market although in this period there were three new customers added from Australia, New Zealand and Singapore, a new region for Imaginatik. Revenues recognised from consultancy services was approximately 17% (2016: 19%) in the period under review, with the remainder derived from Technology. We expect the proportion of consulting revenues to be higher in the second half.

Gross bookings in the period were slightly lower at £1.73m (2016: £2.02m at constant currency), impacted by the delay of a significant renewal which subsequently closed post period end. In the period under review, 6% of bookings were from up-selling our software and consultancy services into existing customers, 41% from selling into new customers, and 53% from renewals business (2016: 41%: 9%: 50% respectively), showing a pleasing level of new business generated in the period.

Deferred revenue decreased to £2.62m at 30 September 2017 (30 September 2016: £3.35m), with the year-on-year reduction primarily the result of the alignment of a significant renewal to the customer's year end. This renewal, valued at £0.9m, was closed post period end. Of the 10 contracts that came up for renewal, 9 were successfully secured on annual or multi year extensions, with only one small customer lost due to budget cuts. (2016: 10 secured out of 14 possible renewals). Approximately 96% of renewals by value were converted over the period, an improvement on the 74% at the full year to 31 March 2017.

We have approximately 43% of our customer base now on multi-year contracts (2016: 45%) with a further 20 clients set for renewal in our second half. We now have 48 clients either on annual or multi-year technology contracts or currently carrying out consultancy engagements (2016: 45).

We secured 10 new customers in the period (2016: 4), seven of which were added on an annual contract (2016: 2), one on a consulting engagement (2016: 2), and two customers added on pilot projects which provides the Company with the opportunity to convert these onto annual contracts in due course. The annualised value of our renewals stood at £3.23m at period end (2016: £3.29m at constant currency), and we look forward to growing this further as we progress through the second half of the year.

Capitalised internal development costs amounted to £0.38m (2016: £0.16m). We continue to invest in building out our suite of technology offerings, with an emphasis in the period on mobile capability, user experience and new reporting functionality.

Once again we were successful in securing an R&D tax credit from HMRC amounting to £0.20m (2016: £0.21m). This reflects the ongoing innovation we are driving with certain elements of our R&D efforts in our technology, as well as in our consulting offering, a small element of which also qualified for tax credit for the first time, demonstrating the pioneering nature of the Group's offering

Administrative expenses remained static at £2.23m (2016: £2.23m), reflecting the ongoing focus within the Company on containing costs across the business.

The loss after tax on ordinary activities for the period was £0.37m (2016: £0.26m). The loss after tax includes a gain of £0.05m attributable to favourable foreign exchange movements (2016: £0.11m loss).

Cash outflows from operating activities showed a decrease to £0.71m (2016: £1.2m), largely as a function of a lower net movement in working capital relative to the comparative period. Cash balances at 30 September 2017 were £0.33m (30 September 2016: £0.19m).

In July 2017, the Company raised £1.45m gross via a placing and open offer to shareholders including management and employees. The funds are being used to invest in the Group's sales and marketing function; further develop existing technology with a focus on improved reporting, mobile enablement and user experience, invest in new technology capabilities including analytical tools; and to provide working capital to manage the seasonality and volatility of the sales pipeline.

Operational Review

Sales and Marketing

Following on the digital marketing and advertising efforts made during FY17, refining the sales and marketing function continues to be a priority for the Group. Marketing efforts during the period have continued to focus towards digital and social media initiatives and away from the more traditional conference-based marketing activity. During the period we completed the development and launch of a new corporate website, which is now more powerful, less costly, and with improved messaging which better centralises our mission to our key value proposition.

Other achievements in the period include the consolidation and optimisation of our advertising spend. Chief among these has been new efforts in content targeting, using new sources of data, and different channels, to reach an expanded audience. We have refocused our marketing budget and engaged a Boston-based marketing agency to manage our global marketing function. We expect this to be a better use of our finite marketing resources and to generate a higher volume of sales leads of a higher quality. Looking forward, we will continue to drive further upgrades and improvements to our web-marketing infrastructure and digital presence.

We have made efforts to simplify and better organise our pricing structure, and have created a series of new “Playbook” starter packages for the marketplace, allowing new and existing customers to build their skills as required depending where they are on their innovation journey. These changes have been introduced along with corresponding updates in sales collateral, web messaging, and sales process, increasing our ability to identify and move deals through the pipeline.

Partnership programme

The initiation of a systemised partnership channel in late calendar 2016 has developed steadily over the period and currently consists of several contracted partners, providing us with important routes to market and an expanded potential customer pool. The first successes of this initiative have been secured in the period, with three of the 10 new customers added in the period coming via the partnership channel. We recognise that there is still a lot of work to be done in order to realise the substantial opportunity available via this programme, but we are encouraged with this early success and will continue to spend time growing and developing this channel.

Innovation offering

Imaginatik helps businesses realise value from creating sustainable innovation programmes, delivered through a portfolio of unique solutions, which combines innovation consultancy services and technology. It is this holistic ‘Programme Design’ approach, encompassing technology alongside consultancy expertise, which we believe is the reason why customers look to Imaginatik as long term innovation partners.

Consultancy

The continued refinement and expansion of our consultancy offering combined with our growing credentials and reputation in the market for consultancy services continues to drive new opportunities. Our unique ability to deliver results-based programmes with a relentless focus on execution, rather than a standalone, isolated software offering, is what differentiates us in the market. Continued progress within our consultancy division has successfully delivered new customer engagements during the period, allowing us to grow our footprint with several existing customers.

Technology

We have spent time in the period under review making significant improvements to our existing software, with the focus on meeting feature requests from some of our main customers, ensuring that we retain their business this year and in the future. Those enhancements have largely focussed on building out certain analytic tools, developing the existing mobile experience and establishing an integration with a leading social media platform allowing seamless use between the two platforms.

In the second half of the financial year and for much of calendar 2018 our technology roadmap will cover a further re-imagining of our mobile and reporting experiences, making them more powerful and easier to use. We also plan to invest in the development of cognitive capabilities and expand the reach of our product to more platforms.

Customer case studies:
Examples of customer engagements successfully secured in the first half of the year include:

A Singapore-based bank
This customer recognised an urgent need to innovate given their rapidly changing competitive environment, including the growing emergence of new challenger banks and the importance of developing and implementing a new growth model. As a result of our growing reputation in the market, the customer approached Imaginatik to help deliver their innovation vision. Imaginatik was chosen because of its ability to deliver a consultative programme tightly coupled with a technology platform and a focus on results-based outcomes. The resulting engagements has been for the delivery of Imaginatik's full suite of solutions encompassing Innovation strategy advisory, Innovation capability building and Imaginatik's Innovation software platform.

The first phase of the programme saw Imaginatik deliver a series of workshops helping the executive team determine where to focus their innovation efforts. With the guidance of Imaginatik consultants, the team focused on critical topics including how to engage customers in new ways, new sources of value for their business, new capabilities, how to better engage their business ecosystems, and develop new business models. The second phase of the programme, contracted post period end, extended the scope of the workshops to focus on pragmatic solutions to drive both incremental innovation as well as breakthrough innovation identified in phase one.

Imaginatik looks forward to its continued work with the customer and delivering the ongoing execution of their innovation vision.

A US investment management company
The customer engaged Imaginatik for a three-year programme of Innovation capability building coupled with its Innovation technology platform. The objective of the programme is to support a two-fold vision. Firstly, to crowdsource new transformational areas of opportunity from across the whole organisation of over 15,000 employees. Secondly, Imaginatik will assist the customer through advisory work, programme design, training and best practice guidance to help the client establish their own in-house innovation lab. The client's objective is to build and develop collaboration and innovation skills to run targeted innovation challenges in future.

Outlook
We are pleased to have secured a number of significant customer renewals post period end. In addition, the proportion of new business wins weighted towards the end of the half year period includes a significant amount of consultancy work yet to be delivered and therefore recognised in the income statement. This provides revenue visibility as we enter the second half. The sales pipeline remains encouraging and we are confident of converting a number of near-term opportunities, however as a result of timing we are not confident that trading in the second half will compensate for a poor first quarter to achieve full year market expectations. We believe our unique offering in the growing innovation market provides us with the right foundations to pursue a substantial opportunity. In addition, our growing catalogue of experience with global, blue-chip customers continues to drive our reputation and we look forward to future success.

Imaginatik Plc
Condensed Unaudited Consolidated Interim Statement of Comprehensive Income
For the six months ended 30 September 2017

	Note	Unaudited 6 months to 30 Sept 2017 £'000	Unaudited 6 months to 30 Sept 2016 £'000	Audited year to 31 March 2017 £'000
Revenue	4	1,728	1,836	3,920
Cost of sales		(97)	(92)	(194)
Gross profit		1,631	1,744	3,726
Administrative expenses		(2,200)	(2,228)	(4,770)
Other operating income		31	28	63
Operating loss before financing and taxation		(538)	(456)	(981)
Operating loss before foreign exchange gains/(losses)		(586)	(344)	(751)
Foreign exchange gains/(losses)		48	(112)	(230)
Finance income/(costs)		(34)	(21)	(13)
Loss on ordinary activities before taxation		(572)	(477)	(994)
Taxation		200	215	215
Loss on ordinary activities for the period		(372)	(262)	(779)
Basic and diluted loss per share (p)	3	(0.20)	(0.22)	(0.57)

All amounts are attributable to equity holders of the parent, and all arise from continuing operations. No amounts were recognised directly in equity, and therefore no separate statement of comprehensive income has been presented.

Imaginatik Plc
Condensed Unaudited Consolidated Interim Statement of Financial Position
As at 30 September 2017

	Note	Unaudited 6 months to 30 Sept 2017 £'000	Unaudited 6 months to 30 Sept 2016 £'000	Audited year to 31 March 2017 £'000
ASSETS				
Non-current assets				
Property, plant and equipment		23	16	25
Intangible assets		1,231	579	933
Trade & other receivables		351	582	97
		1,605	1,177	1,055
Current assets				
Trade and other receivables		1,585	2,373	1,789
Cash and cash equivalents		326	189	117
		1,911	2,562	1,906
Total assets		3,516	3,739	2,961
EQUITY AND LIABILITIES				
Equity				
Issued capital	5	4,765	4,041	4,041
Share premium	5	8,345	7,765	7,765
Share option reserve	5	1,221	1,163	1,198
Retained earnings	5	(13,968)	(13,079)	(13,596)
Total equity attributable to equity holders of the parent		363	(110)	(592)
Liabilities				
Non-current liabilities				
Other payables		483	1,068	737
Total non-current liabilities		483	1,068	737
Current liabilities				
Trade and other payables		2,670	2,781	2,816
		2,670	2,781	2,816
Total liabilities		3,153	3,849	3,553
Total equity and liabilities		3,516	3,739	2,961

Imaginatik Plc
Condensed Unaudited Consolidated Interim Statement of Cash Flows
For the six months ended 30 September 2017

	Note	Unaudited 6 months to 30 Sept 2017 £'000	Unaudited 6 months to 30 Sept 2016 £'000	Audited year to 31 March 2017 £'000
Cash outflows from operating activities	6	(712)	(1,214)	(858)
Investing activities				
Acquisition of property, plant and equipment		(5)	(5)	(22)
Acquisition of intangible assets		(378)	(163)	(575)
Net cash used in investing activities		(383)	(168)	(597)
Net cash flow before financing activities		(1,095)	(1,382)	(1,455)
Financing activities				
Net proceeds from the issue of share capital		1,304	1,549	1,549
Net cash generated from financing activities		1,304	1,549	1,549
Net (decrease)/increase in cash and cash equivalents		209	166	94
Cash and cash equivalents at start of period		117	23	23
Cash and cash equivalents at end of period		326	189	117

Imaginatik Plc
Condensed Unaudited Consolidated Interim Statement of Changes in Equity
For the six months ended 30 September 2017

	Share capital £'000	Share premium £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2016	3,374	6,883	1,143	(12,817)	(1,417)
Loss for the period	-	-	-	(262)	(262)
Share option costs	-	-	20	-	20
Shares issued	667	882	-	-	1,549
	667	882	20	(262)	1,307
Balance at 30 September 2016	4,041	7,765	1,163	(13,079)	(110)
Loss for the period	-	-	-	(517)	(517)
Share option costs	-	-	35	-	35
Shares issued	-	-	-	-	-
	-	-	35	(517)	(482)
Balance at 31 March 2017	4,041	7,765	1,198	(13,596)	(592)
Loss for the period	-	-	-	(372)	(372)
Share option costs	-	-	23	-	23
Shares issued	724	580	-	-	1,304
	724	580	23	(372)	955
Balance at 30 September 2017	4,765	8,345	1,221	(13,968)	363

Imaginatik Plc
Notes to the Condensed Unaudited Consolidated Interim Financial Statements
For the six months ended 30 September 2017

1. Background

Imaginatik plc (the "Company") is a company domiciled in the United Kingdom. The unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 September 2017 comprise the Company and its subsidiary (together referred to as the "Group").

The condensed consolidated interim financial statements were authorised for issuance on 7 December 2017.

The interim financial statements are not statutory accounts for the purposes of S435 of the Companies Act 2006. The comparative figures for the year ended 31 March 2017 are not the Company's statutory accounts for that financial year. The financial information for the year ended 31 March 2017 is based on the statutory accounts for the financial year ended 31 March 2017. 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.

2. Basis of preparation

The financial statements are presented in pounds sterling, rounded to the nearest thousand, unless stated otherwise. They are prepared on the historical cost basis.

These interim financial statements have been prepared using accounting policies based on IFRS as adopted by the European Union (including IAS and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC")) that are expected to be applicable for the full reporting year in 2017. These remain subject to ongoing amendment and/or interpretation and are therefore subject to possible change. Consequently, information contained in these interim financial statements may need updating for any subsequent amendments to IFRS, or for any new standards that the Group may elect to adopt early.

The accounting policies have been applied consistently throughout the Group for purposes of these condensed unaudited consolidated interim financial statements.

3. Loss per share

Basic loss per share
The calculation of basic loss per share for the period ended 30 September 2017 was based on the loss attributable to ordinary shareholders of £372,000 (period ended 30 September 2016: £262,000; year ended 31 March 2017: £779,000) and a weighted average number of ordinary shares outstanding during the period ended 30 September 2017 of 189,256,192 (period ended 30 September 2016: 121,204,394; year ended 31 March 2017: 136,474,544).

Diluted loss per share
The options in place during the periods ended 30 September 2017 and 30 September 2016 and during the year ended 31 March 2017 are considered to have an anti-dilutive effect due to losses. Therefore, basic and diluted loss per share is the same for each of the three periods.

4. Segmental reporting

Management currently identifies the Group's two revenue streams as its operating segments. These operating segments are monitored by the Group's chief operating decision maker. For these operating segments only revenues are reported to the Group's chief operating decision maker as results; other costs and assets and liabilities cannot be reliably allocated to the operating segments.

	Unaudited 6 months to 30 Sept 2017 £'000	Unaudited 6 months to 30 Sept 2016 £'000	Audited Year to 31 March 2017 £'000
Segmental revenue			
Technology	1,430	1,491	2,911
Consultancy	298	345	1,009
	1,728	1,836	3,920

All other information presented to the Chief operating decision maker is the same as is reported in these financial statements.

The Group's revenues from external customers and its non-current assets are divided into the following geographical areas:

	Unaudited 6 months to 30 Sept 2017 £'000	Unaudited 6 months to 30 Sept 2016 £'000	Audited Year to 31 March 2017 £'000
Segmental revenue			
United States of America	1,097	1,240	2,784
Rest of the world	631	596	1,136
	1,728	1,836	3,920
Segmental non-current assets			
United States of America	370	399	92
Rest of the world	1,235	778	943
	1,605	1,177	1,035

Revenues from external customers have been identified on the basis of the customer's geographical location. Non-current assets are allocated based on their physical location.

The Group has two customers (2016: one customer), who accounted for revenues of £225,000 and £246,000 respectively (2016: £214,000), which amounted to more than 10% of Group revenues. These revenues arose in the Technology segment.

5. Share Capital and Reserves

	Unaudited 6 months to 30 Sept 2017 £'000	Unaudited 6 months to 30 Sept 2016 £'000	Audited Year to 31 March 2017 £'000
Share Capital			
At the beginning of the period	4,041	3,374	3,374
Shares issued	724	667	667
At the end of the period	4,765	4,041	4,041
Share premium			
At the beginning of the period	7,765	6,883	6,883
Shares issued in the period, net of expenses	580	882	882
At the end of the period	8,345	7,765	7,765

Share option reserve

At the beginning of the period	1,198	1,143	1,143
Share-based payments	23	20	55
At the end of the period	1,221	1,163	1,198
Retained earnings			
At the beginning of the period	(13,596)	(12,817)	(12,817)
Loss for the period	(372)	(262)	(779)
At the end of the period	(13,968)	(13,079)	(13,596)

New shares allotted

Issue costs relating to the above placings were £143,000 (period ended 30 September 2016: £119,000; year ended 31 March 2017: £119,000) and have been deducted from the share premium account.

6. Cash flows from operating activities

	Unaudited 6 months to 30 Sept 2017 £'000	**Unaudited 6 months to 30 Sept 2016 £'000**	**Audited Year to 31 March 2017 £'000**
Operating loss	(538)	(456)	(981)
Depreciation of tangible fixed assets	6	8	16
Amortisation of intangible fixed assets	81	78	135
Share-based payment expense	23	20	55
Operating cash flows before movements in working capital	(428)	(350)	(775)
(Increase) / decrease in trade and other receivables	(50)	(1,279)	(209)
Increase / (decrease) in payables	(400)	221	(76)
Net movement in working capital	(450)	(1,058)	(285)
Cash used by operations	(878)	(1,408)	(1,060)
Corporation tax received	200	215	215
Net interest expense	(34)	(21)	(13)
Net cash from operating activities	(712)	(1,214)	(858)

7. Availability of announcement

Copies of this announcement will be available from the Company's offices at Carnac Cottage, Cams Hall Estate, Fareham, Hampshire, PO16 8UU and from its website, www.imaginatik.com.