19 November 2018

Imaginatik Plc
(“Imaginatik” or the “Company”)

Interim Results

Imaginatik plc (AIM: IMTK.L) announces its unaudited results for the six months ended 30 September 2018.

Highlights in the period

- Recognised revenues of £1.42m (H1 2017: £1.73m)
- Annualised cost savings of £1.20m achieved, net savings £0.89m.
- Operating loss before foreign exchange of £0.45m (H1 2017: £0.59m)
- Cash outflow before financing reduced to £0.61m (H1 2017: £1.10m)
- Appointment of a new CEO in July 2018
- Completed fundraisings in the period to raise £0.55m gross via an equity placing and £0.50m via an issue of loan notes.

Simon Charles, Non-Executive Chairman, commented: “It has been a very difficult period since the announcement of the strategic review at the beginning of 2018, as that created uncertainty in the market about the Company’s position. I am grateful to and would like to thank all the investors who have provided fresh equity and loan finance in the period now under review, enabling the Company to stabilise its financial position. The Company’s new management continues to align costs to revenue.”

For further information please contact:

Imaginatik plc Angus Forrest, CEO Shawn Taylor, CFO	Tel: 01329 243 243
WH Ireland Mike Coe	Tel: 0117 945 3472
Peterhouse Corporate Finance Duncan Vasey/Lucy Williams	Tel: 020 7469 0936

About Imaginatik

Imaginatik is the leading innovation solution provider which has combined a proven innovation program with purpose-built idea management software to enable companies to achieve breakthrough and continuous innovation at scale. Imaginatik works with leading global enterprises to build and integrate innovation management skills as a core competency. Customers include ExxonMobil, Altria, Caterpillar, John Deere, Exelon and Cargill.

Imaginatik is a public company traded on the AIM market of the London Stock Exchange (LSE: IMTK.L) with locations in the USA and U.K.

For more information visit www.imaginatik.com.

Certain information contained in this announcement would have constituted inside information (as defined by Article 7 of Regulation (EU) No 596/2014) ("MAR") prior to its release as part of this announcement and is disclosed in accordance with the Company's obligations under Article 17 of MAR

Chairman's statement

The six months to 30 September 2018 was one of significant change for the Company, employees and shareholders alike, with a change in management and a downsizing of the business. I described some of these initiatives in the announcement made on 11 September 2018 that accompanied the final results for the year ended 31 March 2018, but it is worth reminding stakeholders again of what happened and the reasons.

The first part of this financial year saw the Company complete a strategic review of the business and to consider the various potential options available to it to seek to maximise value for shareholders. As a result, in early June 2018 the board determined that the best path forward was to recapitalise the business and appoint substantially a new leadership team. Accordingly, Matt Cooper and Ralph Welborn left the board.

An important step in this direction was the appointment of Angus Forrest as CEO on 1 July 2018. Since his appointment Angus has set about implementing a series of changes across the business including a significant reduction in the company's fixed cost base to better align our costs with the recurring revenues and potential new business, changing the focus of our development activities and providing different leadership to the Company. I am grateful for his efforts over the period and the board will continue to implement change where necessary.

During the period we were approached by and had discussions with a range of parties interested in investing in or partnering with the business. Despite some setbacks the management team overcame several significant hurdles, not least of which was the resignation of our nominated adviser and broker and the suspension of our shares as a result. I am however pleased to report that on 26 October 2018 we were able to appoint WH Ireland as our new nominated adviser and broker and our shares were readmitted to trading on AIM.

I am grateful to and would like to thank all the investors who have provided fresh equity and loan finance in the period now under review, enabling the Company to stabilise its financial position.

CEO Report

Since I joined the Company in early June 2018 it has been an intense period of activity to drive and manage change and make improvements across all areas of the business. I believe these efforts are now beginning to show results which benefit the business.

People

The Company employs some very talented people, all are experienced, loyal, committed and want the Company to succeed. It has been a challenging period for all the employees and it is encouraging that they are rising to the new challenges that have been presented and recognise the fact that new ways of working are required and when followed are delivering tangible benefits for both the Company and themselves.

Management

The new management team has concentrated on leadership, setting, agreeing and achieving departmental objectives and targets, also disseminating more information and knowledge throughout the Company. The Company had previously generated good data but until recently it was not interpreted or widely disseminated. Improved use of this data should assist the Company to improve its performance in all areas. As the new management gains more knowledge and understanding of the Company and business it is making changes to improve performance, use of resources, and better balance the resources for sales growth. The planned results of some of these initiatives include expected improvements to sales conversion rates from an initial lead to a final contracted order, higher sales value per order, improved customer care and management processes that should lead to higher customer satisfaction and higher retention rates.

Cost Structure

The cost structure as at June 2018 has been overhauled, with the total monthly overhead reduced and the expenditure between activities re-prioritised. Significant cost reductions have already been made and these initiatives will continue into the remainder of the financial year. However, it does take time to obtain the full benefits of the changes implemented.

There is still some further work to do on the cost structure, but so far this year we have reduced the annual overhead across all parts of the business by approximately £1.20m, with a net annual cost saving of £0.89m when we consider the replacement costs required. Most of this decrease has arisen from headcount reduction, with six employees departing across the business in a mix of redundancies and leavers not being replaced.

Product Development

We launched several new product developments in the period which have been well received by our customers. The most important of which was the next generation mobile experience developed in conjunction with some of our customers. The new application allows employees to access and participate with events running on Imaginatik's flagship product, Innovation Central, when they themselves are mobile.

Although we offer a powerful analytic engine as part of our standard offering we are developing new product features to take advantage of advances in Artificial Intelligence and Machine Learning. In turn this may lead to development of new revenue streams.

In the period the Company received approaches from several individuals and companies proposing a range of interesting product development initiatives, some of these are being progressed and could lead to interesting developments for the Company. We see joint ventures as one realistic way the business can be developed at a faster pace and less expensively than as a stand-alone entity and we will continue to explore this as a route to develop our product set.

Sales and Marketing

In line with our determination to reduce the cost base of the business we have reduced the level of our expenditure in marketing and have done so by changing our marketing strategy and by outsourcing most of the lead generation work to a US based marketing agency. We are pleased with the results of this exercise so far with a growing number of good quality leads being generated each month. We expect the improvements in sales leads generation to show through in higher numbers of new business sales in the second half of the financial year.

	1 April to 30 June 2018	1 July to 30 Sept 2018
Qualified sales leads number	25*	72**
Customer wins number	1	3
Value of new orders	£24,000	£197,000
Qualified sales leads * estimate in the period 1 April to 30 June ** 220 since 1 October to 15 November 2018		

I am pleased to report that we have secured four new customers in the period, most of which were contracted in the latter stages of the half as trading began to improve and as some of the impact of the changes introduced into the sales process began to have an impact.

Consulting

As I have learned more about the business it has become clear to me that our consulting capability sets us apart from many in this industry. A look at two case studies covering work undertaken with our customers in the period will help demonstrate the breadth of our capabilities in this area and the value that we bring to our customers;

US Healthcare company

Imaginatik was hired by a leading pharmaceutical and medical device company to design a series of workshops to explore the future of a new medical device. Imaginatik designed a series of sessions to clearly define the areas of impact for the new product, ideate around these areas and develop some of the ideas into top concepts for further exploration. As we defined the areas of impact, we leveraged Innovation Central's analytics toolset. This gave everyone on the customers' team a voice and kept the conversation around early stage thinking productive and data based. When working with early stage concepts, because there is little data available, decisions frequently fall to the loudest voice in the room, or the most senior individual. Data from our analytical tools helps improve decision making by leveraging on the data available.

To enhance creativity, we also engaged with outside experts, we refer to as catalysts. In this case with a digital prescription company, a behavioural pharmacy and an artificial intelligence organisation who brought fresh perspectives to existing problems. Employees were able to engage with these experts virtually and in person to listen, ask questions and then ideate with an eye towards the future. This approach yielded several breakthrough concepts to be taken forward for further development.

Leading motor sport team

The world of motor sport is known for innovation, especially as teams strive to gain marginal advantages over their rivals. However, with significant advances in engineering, data science and technology, managing the innovation process has become difficult and at times overwhelming. This is the reason one of the leading motor sport teams turned to Imaginatik for help, selecting the Company because of our full spectrum offering of technology tools and innovation services. In our three month engagement with the team we deployed our technology in order to help them with understanding how they can better capture ideas, synthesise their vast array of data and make regular improvement.

Financial Review

Recognised revenues for the period were £1.42m, an 18% reduction on that reported last year (H1 2017: £1.73m). This marked reduction in revenues is explained by several factors. In the months that followed the announcement of the strategic review, new business opportunities decreased substantially as potential buyers decided to wait for the review to conclude before deciding to purchase. Following the closure of the review, new business wins have improved. Recognised revenues from the US were 68% of total revenues (2017: 63%) with the remainder derived from the Rest of World 32% (H1 2017: 23%). The proportions of revenues generated from technology in the period was 83% with 17% from consulting (H1 2017: 83%:17%).

Gross bookings in the period were £0.60m, down on the prior year (H1 2017:£1.71m) with the lower bookings figure impacted by the timing of the strategic review as described above as well as being affected by the timing of renewals in both periods. Of the gross bookings contracted in the period 64% were from renewals, new business comprising 31% and 6% accounted for by upsell (H1 2017: 53%:41%: 6%)

Administrative expenses were £1.93m (H1 2017:£2.20m) a reduction of 12% and the result of the headcount and other cost reductions implemented from June 2018. The annual cost reductions achieved across all areas have been £0.89m net of the replacement costs for the new CEO and Commercial Director. The full impact of these cost reductions will be more apparent in the financial results for the second half of FY19.

Cash outflows from operating activities were £0.45m (H1 2017:£0.71m) with the year on year reduction generated from a positive net movement in working capital. Post period end cash flows have improved because of the closure of renewals, new sales as well as the net proceeds from an equity placing and an issue of unsecured convertible loan notes. The board remains conscious that working capital will still need to be very closely monitored over the coming months.

During the half year there were two equity fundraisings, debt for equity swaps and an exercise of warrants generating £0.60m gross of expenses, a loan facility of £0.50m was secured, and post half year there was a placing and open offer to raise £0.50m gross.

Outlook

It has been a challenging six months for the business and all associated with it, but sound progress has been made in recent months to better align the cost base with available revenues, moving the company closer to a break-even position. We must not be complacent as there remains a great deal more to be done to turn the business around, but we have confidence that this can be achieved.

Imaginatik Plc
Condensed Unaudited Consolidated Interim Statement of Comprehensive Income
For the six months ended 30 September 2018

	Note	Unaudited 6 months to 30 Sept 2018 £'000	Unaudited 6 months to 30 Sept 2017 £'000	Audited year to 31 March 2018 £'000
Revenue	4	1,423	1,728	3,681
Cost of sales		(103)	(97)	(201)
Gross profit		1,320	1,631	3,480
Administrative expenses		(1,926)	(2,200)	(4,887)
Other operating income		31	31	65
Operating loss before financing and taxation		(575)	(538)	(1,342)
Operating loss before foreign exchange gains/(losses)		(454)	(586)	(1,481)
Foreign exchange gains/(losses)		(121)	48	139
Finance income/(costs)		(20)	(34)	(13)
Loss on ordinary activities before taxation		(595)	(572)	(1,355)
Taxation		-	200	200
Loss on ordinary activities for the period		(595)	(372)	(1,155)
Basic and diluted loss per share (p)	3	(2.15)	(1.97)	(5.59)

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 2018

	Note	Unaudited 6 months to 30 Sept 2018 £'000	Unaudited 6 months to 30 Sept 2017 £'000	Audited year to 31 March 2018 £'000
ASSETS				
Non-current assets				
Property, plant and equipment		16	23	23
Intangible assets		987	1,231	928
Trade & other receivables		127	351	341
		1,130	1,605	1,292
Current assets				
Trade and other receivables		897	1,585	757
Cash and cash equivalents		14	326	61
		911	1,911	818
Total assets		2,041	3,516	2,110
EQUITY AND LIABILITIES				
Equity				
Issued capital	5	4,766	4,765	4,765
Share premium	5	8,911	8,345	8,350
Share option reserve	5	1,278	1,221	1,252
Retained earnings	5	(15,409)	(13,968)	(14,814)
Total equity attributable to equity holders of the parent		(454)	363	(447)
Liabilities				
Non-current liabilities				
Other payables		162	483	582
Total non-current liabilities		162	483	582
Current liabilities				
Trade and other payables		2,333	2,670	1,975
		2,333	2,670	1,975
Total liabilities		2,495	3,153	2,557
Total equity and liabilities		2,041	3,516	2,110

Imaginatik Plc
Condensed Unaudited Consolidated Interim Statement of Cash Flows
For the six months ended 30 September 2018

	Note	Unaudited 6 months to 30 Sept 2018 £'000	Unaudited 6 months to 30 Sept 2017 £'000	Audited year to 31 March 2018 £'000
Cash outflows from operating activities	6	(451)	(712)	(804)
Investing activities				
Acquisition of property, plant and equipment		-	(5)	(11)
Acquisition of intangible assets		(157)	(378)	(550)
Net cash used in investing activities		(157)	(383)	(561)
Net cash flow before financing activities		(608)	(1,095)	(1,365)
Financing activities				
Net proceeds from the issue of share capital		561	1,304	1,309
Net cash generated from financing activities		561	1,304	1,309
Net (decrease)/increase in cash and cash equivalents		(47)	209	(56)
Cash and cash equivalents at start of period		61	117	117
Cash and cash equivalents at end of period		14	326	61

Imaginatik Plc
Condensed Unaudited Consolidated Interim Statement of Changes in Equity
For the six months ended 30 September 2018

	Share capital £'000	Share premium £'000	Share option reserve £'000	(Restated) Retained earnings £'000	Total £'000
Balance at 1 April 2017	4,041	7,765	1,198	(13,659)	(655)
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	(14,031)	300
Loss for the period	-	-	-	(783)	(783)
Share option costs	-	-	31	-	31
Shares issued	-	5	-	-	5
	-	5	31	(783)	(747)
Balance at 31 March 2018	4,765	8,350	1,252	(14,814)	(447)
Loss for the period	-	-	-	(595)	(595)
Share option costs	-	-	26	-	26
Shares issued	1	561	-	-	562
	1	561	26	(595)	(7)
Balance at 30 September 2018	4,766	8,911	1,278	(15,409)	(454)

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 2018 comprise the Company and its subsidiary (together referred to as the “Group”).

The condensed consolidated interim financial statements were authorised for issuance on 19 November 2018.

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 2018 are not the Company’s statutory accounts for that financial year. The financial information for the year ended 31 March 2018 is based on the statutory accounts for the financial year ended 31 March 2018. Those accounts have been reported on by the Company’s auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified, however the auditors drew attention to a material uncertainty related to going concern. The auditors drew attention to note 2 in the financial statements for the year ended 31 March 2018, which indicates that the group incurred a net loss of £1,155,000 and, as of that date, the group’s liabilities exceeded its total assets by £447,000. As also stated in the same note 2, these events or conditions, along with the other matters set out there, indicate that a material uncertainty exists that may cast significant doubt on the groups ability to continue as a going concern. The report 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 2018. 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 2018 was based on the loss attributable to ordinary shareholders of £595,000 (period ended 30 September 2017: £372,000; year ended 31 March 2018: £1,155,000) and a weighted average number of ordinary shares outstanding during the period ended 30 September 2018 of 27,730,702 (period ended 30 September 2017: 18,925,619; year ended 31 March 2018: 20,667,709). The weighted average number of ordinary shares outstanding have been proportionately adjusted, in accordance with IAS 33, for a 10:1 share consolidation on 29 June 2018. To enable a fair comparison, the comparative figures for the period ended 30 September 2017 and the year ended 31 March 2018 have also been adjusted.

Diluted loss per share

The options in place during the periods ended 30 September 2018 and 30 September 2017 and during the year ended 31 March 2018 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 2018 £'000	Unaudited 6 months to 30 Sept 2017 £'000	Audited Year to 31 March 2018 £'000
Segmental revenue			
Technology	1,178	1,430	2,841
Consultancy	245	298	840
	1,423	1,728	3,681

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 2018 £'000	Unaudited 6 months to 30 Sept 2017 £'000	Audited Year to 31 March 2018 £'000
Segmental revenue			
United States of America	968	1,097	2,272
Rest of the world	455	631	1,409
	1,423	1,728	3,681
Segmental non-current assets			
United States of America	138	370	357
Rest of the world	992	1,235	935
	1,130	1,605	1,292

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 (2017: two customers), who accounted for revenues of £228,000 and £151,000 respectively (2017: £225,000 and £246,000), 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 2018 £'000	Unaudited 6 months to 30 Sept 2017 £'000	Audited Year to 31 March 2018 £'000
Share Capital			
At the beginning of the period	4,765	4,041	4,041
Shares issued	1	724	724
At the end of the period	4,766	4,765	4,765
Share premium			
At the beginning of the period	8,350	7,765	7,765
Shares issued in the period, net of expenses	561	580	585
At the end of the period	8,911	8,345	8,350
Share option reserve			
At the beginning of the period	1,252	1,198	1,198
Share-based payments	26	23	54
At the end of the period	1,278	1,221	1,252
Retained earnings			
At the beginning of the period	(14,814)	(13,596)	(13,659)
Loss for the period	(595)	(372)	(1,155)
At the end of the period	(15,409)	(13,968)	(14,814)

New shares allotted

Issue costs relating to the above placings were £39,000 (period ended 30 September 2017: £143,000; year ended 31 March 2018: £138,000) and have been deducted from the share premium account.

Imaginatik Plc
Notes to the Condensed Unaudited Consolidated Interim Financial Statements (continued)
For the six months ended 30 September 2018

6. Cash flows from operating activities

	Unaudited 6 months to 30 Sept 2018 £'000	Unaudited 6 months to 30 Sept 2017 £'000	Audited Year to 31 March 2018 £'000
Operating loss	(575)	(538)	(1.342)
Depreciation of tangible fixed assets	7	6	13
Amortisation of intangible fixed assets	98	81	171
Impairment loss	-	-	384
Share-based payment expense	26	23	54
Operating cash flows before movements in working capital	(444)	(428)	(720)
(Increase) / decrease in trade and other receivables	74	(50)	788
Increase / (decrease) in payables	(61)	(400)	(1,059)
Net movement in working capital	13	(450)	(271)
Cash used by operations	(431)	(878)	(991)
Corporation tax received	-	200	200
Net interest expense	(20)	(34)	(13)
Net cash from operating activities	(451)	(712)	(804)

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 in accordance with rule 26 of the AIM rules for Companies.