

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 2016.

Highlights

- Considerably reduced loss after tax of £0.26m (2015: £0.41m), despite impact of adverse currency movements
- Recognised revenue steady at £1.84m (2015: £1.96m)
 - Deferred revenue increased 16% £3.35m at 30 September 2016 (30 September 2015: £2.88m)
- Overall bookings of £1.95m (2015 £2.2m)
- Good level of customer renewals and signing of four new customers
- Initiation of partner programme in US and Europe, resulting in potential significant expansion of market reach
- Key Senior Management appointment in the US to support technology expansion
- Successfully completed a Placing and Open Offer in June 2016, raising £1.67m gross, to enable further investment in the business

** At constant currency, US\$ to £ exchange rate of 1.325.*

Matt Cooper, Non-Executive Chairman, commented: *“Imaginatik delivered a steady first half of the year, substantially reducing trading losses while once again securing a good level of customer renewals and new customer wins. We continue to see evidence that our acknowledged leadership of the innovation industry is resulting in growing interest in our business – both from a partnering and customer perspective.*

“We have entered the second half of the year with a healthy pipeline of new business opportunities and have closed three new clients in the start of the second half of the year. Having built a unique offering within the international innovation marketplace we are confident we have the foundations in place for future success.”

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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, Mayo Clinic, Goodyear, the Yorkshire Building Society, 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

Imaginatik delivered a steady first half of the year, substantially reducing trading losses while once again securing a good level of customer renewals and new customer wins. The loss after tax reduced to £0.26m (2015: £0.41m). Approximately half of the loss after tax is attributable to adverse foreign exchange movements arising as a result of the strong US dollar. Recognised revenue was £1.84m for the period (2015: £1.96m) with overall bookings of £1.95m (2015: £2.2m).

Our unique ability to provide consultancy services but also deliver programmes through our software continues to be a powerful differentiator for us in the innovation market. We continue to implement innovation programmes with some of the world's leading brands across a broad range of sectors, generating tangible results for our customers.

Four new customers were added in the half, including a global supplier of railroad and transit system products and services, a US-based global healthcare company, a global medical company specialising in eye care, and a provider of engineering, consulting and project management services for infrastructure projects. Each of these new global customers provides an opportunity for future revenue growth.

The Company has now begun the investment of the funds raised via the Institutional Placing and Open Offer completed in June 2016, investing in our sales and marketing resources and technology suite to provide an ever more comprehensive platform for future growth.

We have also begun building an extended partnership programme in both the US and Europe, which we believe has the potential to significantly expand our market reach. We have been encouraged by the calibre of partners approaching us, which we believe is an indication of the growing market awareness of the need for innovation and of our leading position within the innovation market. We will update investors further once these partnership agreements have been concluded.

Financial Review

Total recognised revenue for the six months to 30 September 2016 was £1.84m (2015: £1.96m). Revenue recognised from the US in the period accounted for approximately 68% of the total (2015: 86%) with the balance derived from 'Rest of World', primarily the European market. Revenues recognised from consultancy services fell from approximately 23% in 2015 to 19% in the period under review, with the remainder derived from Technology.

Gross bookings in the period were slightly lower at £1.95m (2015: £2.2m at constant currency). In the period under review, 41% of bookings were from up-selling our software and consultancy services into existing customers, 9% from selling into new customers, and 50% from renewals business (2015: 50%: 4%: 46% respectively).

Deferred revenue increased to £3.35m at 30 September 2016 (30 September 2015: £2.88m) a 16% increase year on year. Of the 14 contracts that came up for renewal, 10 were successfully secured on annual or multi year extensions, with four small clients choosing either not to renew or deferring that decision pending internal restructuring. These four clients amounted to less than £0.1m in total revenues. Of the renewals secured, most were contracted at the same levels or higher than the 2015 value. (2015: 14 secured out of 17 possible renewals).

We have approximately 45% of our customer base now on multi-year contracts (2015: 52%) with a further 16 clients set for renewal in our second half. We now have 45 clients either on multiyear contracts or currently carrying out consultancy engagements (2015: 44).

We secured four new customers in the period (2015: 3), two of which were added on an annual contract (2015: 0) and two on consulting engagements (2015: 3). The annualised value of our renewals stood at £3.24m at period end (2015: £3.17m 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 £0.16m (2015: £0.14m) as we continue to

invest in building out our suite of technology offerings, including an enhanced mobile tool and further decision-making analytic tools.

We have been successful in securing an R&D tax credit from HMRC amounting to £0.21m (2015: £0.16m), reflecting the ongoing pioneering nature of certain elements of our R&D efforts in building out our software platform.

Administrative expenses decreased to £2.23m (2015: £2.37m), reflecting the ongoing focus within the Company on containing costs across the business. This factor, combined with the additional R&D tax credit generated, relative to 2015, has resulted in a substantially reduced trading loss, this is in spite of marginally lower revenues and a lower US\$ exchange rate for the last few months of the period.

The loss after tax on ordinary activities for the period decreased considerably compared to the prior year to £0.26m (2015: £0.41m, 2014: £0.70m). The loss includes £0.11m of foreign exchange losses, arising from the revaluation of \$US denominated deferred revenue balances offset to some extent by the revaluation of \$US denominated receivables.

Cash outflows from operating activities showed an increase to £1.2m (2015: £0.56m), largely as a function of the increase in trade debtors towards the period end, following a series of large contract renewals in the final weeks of the period. Resulting cash balances at 30 September 2016 were £0.19m (30 September 2015: £0.04m). The cash position has improved post period end, increasing to £0.4m at 5 December 2016, as a result of a proportion of the trade receivables having been received by the Company with additional funds due imminently.

In June 2016, the Company raised £1.58m gross via a Placing and a further £0.09m via an Open Offer to shareholders. These funds are being used to add additional sales and marketing headcount, to increase the marketing spend to build the Company's brand in the marketplace, to continue to build new technology capabilities to capture growing market demand.

Operational Review

Sales and Marketing

Marketing efforts during the period have focused on expanding our digital footprint. Changes to our website's homepage are a first-step toward a full re-design which is expected to be launched in early 2017. New email marketing, digital advertising, and content marketing programs have generated a substantially higher base of website visitors and as a result more inbound leads. Both Sales and Marketing have added incremental headcount in the period, allowing us to expand and sustain our activities in these areas.

During the period, we launched a Client Community portal for our customers, where they can learn from each other and network with their peers at other companies. The online community portal has been complemented by a clients-only webinars program. These are facilities that our client community finds extremely valuable. We believe these efforts will further strengthen our retention rates and at the same time generate good upsell opportunities.

Partnership programme

In order to create new sales channel leverage, our partnerships programme has been expanded and systematised, with the creation of a full-time Business Development role focused on developing a range of channel partners. Several important market-access and go-to-market partnerships are in advanced development in both the US and Europe.

Consultancy

We are pleased to report continued progress in the consulting division, including successfully growing our footprint with several existing customers and expanding the range of our consultancy engagements.

Examples of customer engagements successfully delivered in the first half of the year include:

A Global Nutrition company

In the face of strong competition within the highly regulated healthcare market the client decided they needed to reshape their innovation portfolio of opportunities in order to address the new market challenges ahead of them, engaging with Imaginatik to help them do so. With a superior product and a strong science-based positioning they nevertheless believed that that was not sufficient to guarantee future success. The client's objective was to identify a range of product innovation concepts for their EMEA markets, and once identified to take the most promising forward.

In a series of workshops Imaginatik led the cross-functional, global team through a series of Breakthrough Ideation experiences to target this critical issue. The team began by sharing overviews on critical topics such as the latest scientific developments, competitive threats and opportunities, consumer insights, industry trends and new regulation considerations, all of which helped build the foundation for strong breakthrough ideas. Imaginatik consultants helped elevate client thinking through a myriad of provocative exercises and highly creative stimuli that included innovations in different industries, biomimicry examples – looking at naturally occurring innovations within nature, interesting consumer trends and unconventional startups. After identifying a large range of interesting ideas Imaginatik took the participants through a rigorous process of combination, clustering and prioritising ideas that culminated with the top concepts being identified. The results of this work were entered in Imaginatik's Innovation Central platform for statistical comparison using its proprietary Head-to-Head review tool.

The final outcome of this work was a series of fully built, high-impact concepts ranging from packaging innovation all the way through to potential new product formulations. The client was provided with a clear path forward together with executive alignment and set for rapid implementation.

A European food services and facilities management company

The client is one of the largest providers of food and facilities management in the world, with 420,000 employees; in excess of revenues of €15.3bn and a global clientele operating in a dispersed and complex ecosystem across 80 countries.

Imaginatik began its engagement with the client in early 2016, under an initial three year contract. During this first year, and with assistance from Imaginatik consultants, the client focused on setting up a small team with a remit to establish the ideation platform internally, generate interest internally and to foster innovation management expertise within the client in the most visible areas. During 2016 the client's platform usage grew very quickly, with numerous high visibility events being run, with activity levels growing substantially as their competency developed.

As the client moved further into the innovation programme, we have helped the client expand the technology into seven different languages, supporting all major emerging markets as well as supporting new regulatory compliance requirements that have emerged. Imaginatik has now replaced other platform competitors in three South American geographies of the client's operations. A multi-geography mobile support product for the Imaginatik innovation platform for staff has subsequently been launched, to enable immediate capture of customer feedback and access global best practice guidance.

The next phase of development will see the client and Imaginatik piloting open innovation with some of the client's major customers across the globe. In addition, the client is planning to add a further 20 additional languages over the next two years.

Technology

Expansion of our technology platform, Innovation Central, continues to be a key focus for the Company. We are delighted to have welcomed in recent months a key Senior Management hire in David Boghossian. David was previously Co-founder and CEO of PowerSteering

Software, the cloud-based project portfolio management software business and has been a long-term Growth and Innovation Adviser. He brings considerable innovation and technology experience and will play an important role in further developing our product portfolio, covering the combination of technology and consulting.

We continue to develop our user interface of Innovation Central to ensure that our technology is intuitive and easy to use. We launched a new version of our mobile offering this month, providing easy access to Innovation Central functionality for users on iOS and Android devices. We are also continuing to expand our Innovation Analytics capabilities focusing on managing networks of ideas and comments at scale, measuring diversity of thought in innovation programmes, and providing advice to innovation leaders about the maturity of challenges. Our progress in Innovation Analytics helps innovation leaders drive their innovation programmes, assisting them to make smarter, evidence-based decisions.

Outlook

The Company has entered the second half of the year with a healthy pipeline of new business opportunities and has closed three new clients in the start of the second half of the year. Having built a unique offering within the international innovation marketplace we are confident we have the foundations in place for future success.

Condensed Unaudited Consolidated Interim Statement of Comprehensive Income
For the six months ended 30 September 2016

		Unaudited 6 months to 30 Sept 2016 £'000	Unaudited 6 months to 30 Sept 2015 £'000	Audited year to 31 March 2016 £'000
Revenue	5	1,836	1,960	3,893
Cost of sales		(92)	(131)	(232)
Gross profit		<u>1,744</u>	<u>1,829</u>	<u>3,661</u>
Administrative expenses		(2,228)	(2,366)	(4,720)
Other operating income		28	-	14
Operating loss before financing and taxation		<u>(456)</u>	<u>(537)</u>	<u>(1,045)</u>
Operating loss before foreign exchange losses		(344)	(498)	(895)
Foreign exchange losses		(112)	(39)	(150)
Finance income/(costs)		(21)	(35)	(65)
Loss on ordinary activities before taxation		<u>(477)</u>	<u>(572)</u>	<u>(1,110)</u>
Taxation		215	165	165
Loss on ordinary activities for the period		<u>(262)</u>	<u>(407)</u>	<u>(945)</u>
Basic and diluted loss per share (p)	4	<u>(0.22)</u>	<u>(0.51)</u>	<u>(1.15)</u>

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 2016

Restated

	Unaudited 30 Sept 2016 £'000	Unaudited 30 Sept 2015 £'000	Audited 31 March 2016 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	26	19
Intangible assets	579	459	493
Trade & other receivables	582	547	273
	1,177	1,032	785
Current assets			
Trade and other receivables	2,373	1,808	1,403
Cash and cash equivalents	189	38	23
	2,562	1,846	1,426
Total assets	3,739	2,878	2,211
EQUITY AND LIABILITIES			
Equity			
Issued capital	6 4,042	3,370	3,374
Share premium	6 7,764	6,876	6,883
Share option reserve	6 1,163	1,122	1,143
Retained earnings	6 (13,079)	(12,279)	(12,817)
Total equity attributable to equity holders of the parent	(110)	(911)	(1,417)
Liabilities			
Non-current liabilities			
Other payables	1,068	1,105	736
Total non-current liabilities	1,068	1,105	736
Current liabilities			
Trade and other payables	2,781	2,684	2,892
	2,781	2,684	2,892
Total liabilities	3,849	3,789	3,628
Total equity and liabilities	3,739	2,878	2,211

Imaginatik Plc
Condensed Unaudited Consolidated Interim Statement of Cash Flows
For the six months ended 30 September 2016

	Note	Unaudited 6 months to 30 Sept 2016 £'000	Unaudited 6 months to 30 Sept 2015 £'000	Audited Year to 31 March 2016 £'000
Cash outflows from operating activities	7	<u>(1,214)</u>	<u>(558)</u>	<u>(460)</u>
Investing activities				
Acquisition of property, plant and equipment		(5)	-	(1)
Acquisition of intangible assets		(163)	(141)	(264)
Net cash used in investing activities		<u>(168)</u>	<u>(141)</u>	<u>(265)</u>
Net cash flow before financing activities		<u>(1,382)</u>	<u>(699)</u>	<u>(725)</u>
Financing activities				
Net proceeds from the issue of share capital		1,549	612	623
Net cash generated from financing activities		<u>1,549</u>	<u>612</u>	<u>623</u>
Net (decrease)/increase in cash and cash equivalents		166	(87)	(102)
Cash and cash equivalents at start of period		23	125	125
Cash and cash equivalents at end of period		<u>189</u>	<u>38</u>	<u>23</u>

Imaginatik Plc
Condensed Unaudited Consolidated Interim Statement of Changes in Equity
For the six months ended 30 September 2016

	Restated Share capital £'000	Restated Share premium £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2015	3,154	6,480	1,076	(11,872)	(1,162)
Loss for the period	-	-	-	(407)	(407)
Share option costs	-	-	46	-	46
Shares issued	216	396	-	-	612
	216	396	46	(407)	251
Balance at 30 September 2015	3,370	6,876	1,122	(12,279)	(911)
Loss for the period	-	-	-	(538)	(538)
Share option costs	-	-	21	-	21
Shares issued	4	7	-	-	11
	4	7	21	(538)	(506)
Balance at 31 March 2016	3,374	6,883	1,143	(12,817)	(1,417)
Loss for the period	-	-	-	(262)	(262)
Share option costs	-	-	20	-	20
Shares issued	668	881	-	-	1,549
	668	881	20	(262)	1,307
Balance at 30 September 2016	4,042	7,764	1,163	(13,079)	(110)

Imaginatik Plc
Notes to the Condensed Unaudited Consolidated Interim Financial Statements
For the six months ended 30 September 2016

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 2016 comprise the Company and its subsidiary (together referred to as the “Group”).

The condensed consolidated interim financial statements were authorised for issuance on 5 December 2016.

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 2016 are not the Company’s statutory accounts for that financial year. The financial information for the year ended 31 March 2016 is based on the statutory accounts for the financial year ended 31 March 2016. 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 2016. 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. Prior period adjustment

An error was found in the prior period share capital and share premium reserve. The September 2015 comparative figures have been restated to reclassify this difference.

4. Loss per share

Basic loss per share

The calculation of basic loss per share for the period ended 30 September 2016 was based on the loss attributable to ordinary shareholders of £262,000 (period ended 30 September 2015: £407,000; year ended 31 March 2016: £945,000) and a weighted average number of ordinary shares outstanding during the period ended 30 September 2016 of 121,204,394 (period ended 30 September 2015: 78,898,129; year ended 31 March 2016: 81,948,369).

4. Loss per share (continued)

Diluted loss per share

The options in place during the periods ended 30 September 2016 and 30 September 2015 and during the year ended 31 March 2016 are considered to have an anti-dilutive effect. Therefore, basic and diluted loss per share is the same for each of the three periods.

5. 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 2016 £'000	Unaudited 6 months to 30 Sept 2015 £'000	Audited Year to 31 March 2016 £'000
Segmental revenue			
Technology	1,491	1,503	2,778
Consultancy	345	457	1,115
	<u>1,836</u>	<u>1,960</u>	<u>3,893</u>

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 2016 £'000	Unaudited 6 months to 30 Sept 2015 £'000	Audited Year to 31 March 2016 £'000
Segmental revenue			
United States of America	1,240	1,682	2,977
Rest of the world	596	278	916
	<u>1,836</u>	<u>1,960</u>	<u>3,893</u>
Segmental non-current assets			
United States of America	399	493	219
Rest of the world	778	539	566
	<u>1,177</u>	<u>1,032</u>	<u>785</u>

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 one customer (2015: one customer), who accounted for revenues of £214,000 (2015: £227,000), which amounted to more than 10% of Group revenues. These revenues arose in the Technology segment.

6. Share Capital and Reserves

	Unaudited 6 months to 30 Sept 2016 £'000	Restated Unaudited 6 months to 30 Sept 2015 £'000	Audited Year to 31 March 2016 £'000
Share Capital			
At the beginning of the period	3,374	3,154	3,154
Shares issued	668	216	220
At the end of the period	<u>4,042</u>	<u>3,370</u>	<u>3,374</u>
Share premium			
At the beginning of the period	6,883	6,480	6,480
Shares issued in the period, net of expenses	881	396	403
At the end of the period	<u>7,764</u>	<u>6,876</u>	<u>6,883</u>
Share option reserve			
At the beginning of the period	1,143	1,076	1,076
Share-based payments	20	46	67
At the end of the period	<u>1,163</u>	<u>1,122</u>	<u>1,143</u>
Retained earnings			
At the beginning of the period	(12,817)	(11,872)	(11,872)
Loss for the period	(262)	(407)	(945)
At the end of the period	<u>(13,079)</u>	<u>(12,279)</u>	<u>(12,817)</u>

New shares allotted

Issue costs relating to the above placings were £119,000 (period ended 30 September 2015: £38,000; year ended 31 March 2016: £38,000) and have been deducted from the share premium account.

7. Cash flows from operating activities

	Unaudited 6 months to 30 Sept 2016 £'000	Unaudited 6 months to 30 Sept 2015 £'000	Audited Year to 31 March 2016 £'000
Operating loss	(456)	(537)	(1,045)
Depreciation of tangible fixed assets	8	10	17
Amortisation of intangible fixed assets	78	74	163
Share-based payment expense	20	45	67
Operating cash flows before movements in working capital	<u>(350)</u>	<u>(408)</u>	<u>(798)</u>
(Increase) / decrease in trade and other receivables	(1,279)	(359)	320
Increase / (decrease) in payables	221	79	(82)
Net movement in working capital	<u>(1,058)</u>	<u>(280)</u>	<u>238</u>
Cash used by operations	<u>(1,408)</u>	<u>(688)</u>	<u>(560)</u>
Corporation tax received	215	165	165
Net interest expense	(21)	(35)	(65)
Net cash from operating activities	<u>(1,214)</u>	<u>(558)</u>	<u>(460)</u>

8. 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.